Local Government Energy and Mineral Impact Assistance Program

Colorado Department of Local Affairs



To assist local governments with the costs of mineral development, the legislature has, by statute, placed two funds in the Department of Local Affairs:

- **39-29-110:** Local Government Severance Tax Fund which receives 50% of the state severance tax revenues.
- 34-63-102(5) (a): Local Government Mineral Impact Fund which receives about 25% of the Colorado receipts from mineral lease revenues on federal lands.

The department combines these two statutory programs for administrative efficiency and applicant convenience into the Local Government Energy and Mineral Impact Assistance Program.

This presentation will discuss various aspects in the following sections:

- Revenues from the State Severance Tax
- Revenues from State Receipts of Federal Mineral Lease Revenues
- Distributions under the Local Government Energy and Mineral Impact Assistance Program
- Socio Economic Impact Studies

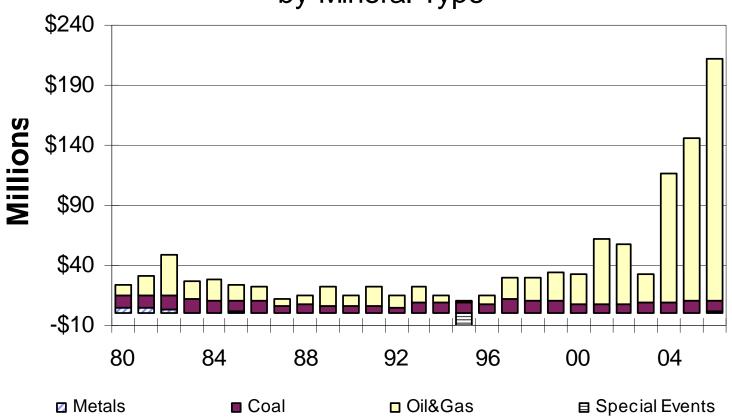
State Severance Tax

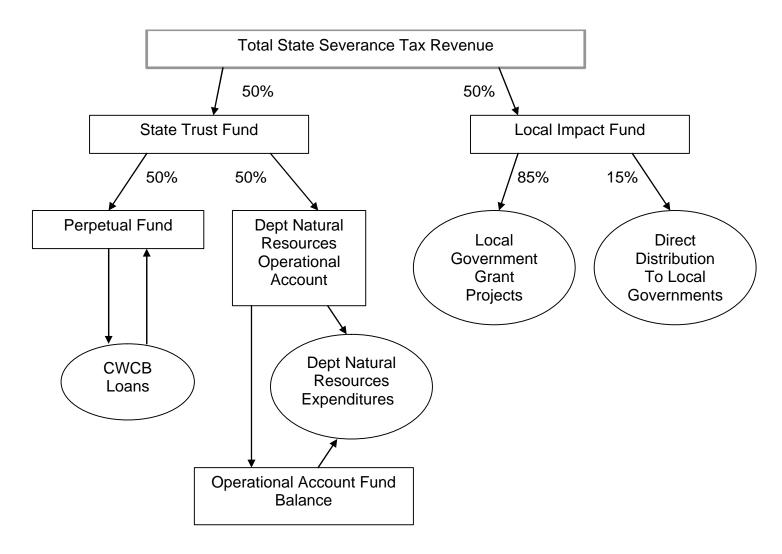
The general purpose of the state severance tax is specified in statute:

39-29-101. Legislative declaration.

- (1) The general assembly hereby finds and declares that, when nonrenewable natural resources are removed from the earth, the value of such resources to the state of Colorado is irretrievably lost. Therefore, it is the intent of the general assembly to recapture a portion of this lost wealth through a special excise tax, in addition to other business taxes, on the nonrenewable natural resources removed from the soil of this state and sold for private profit.
- (2) The general assembly further finds and declares that the severance of nonrenewable resources provides a potential source of revenue to the state and its political subdivisions. Therefore, it is the intent of the general assembly to impose a tax on the process of severance in addition to other business taxes.
- (3) It additionally is the intent of the general assembly that a portion of the revenues derived from such a severance tax be used by the state for public purposes, that a portion be held by the state in a perpetual trust fund, and that a portion be made available to local governments to offset the impact created by nonrenewable resource development.
- Source: L. 77: Entire article added, p. 1844, § 1, effective January 1, 1978.

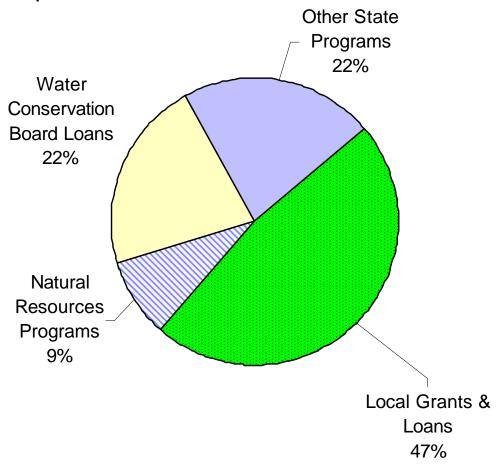
State Total Severance Tax Revenue by Mineral Type





Hb07-1139 increases the Local Impact Fund Direct Distribution percent to 30% for the August, 2008 distributions to local governments.

Expenditure of State Severance Tax -2006



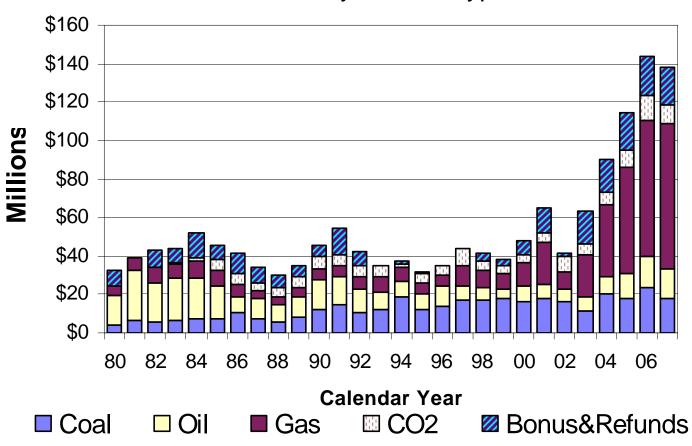
Other state programs this year include the LEAP program, Kansas Water settlement, and Endangered Species Fund

Federal Mineral Lease

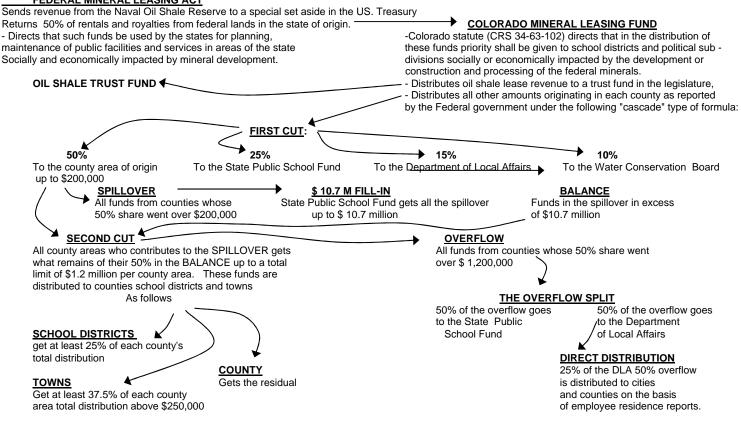


Animas River Bridge, La Plata County

Total Federal Mineral Lease Revenue to Colorado by Mineral Type

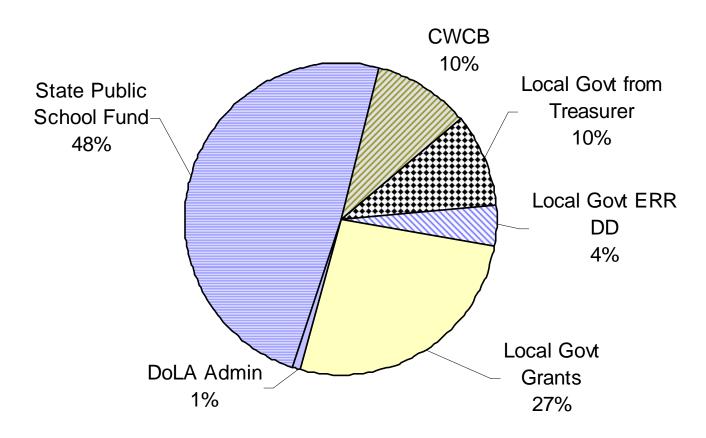


FEDERAL MINERAL LEASING ACT



Calendar Year->		2002	2003	2004	2005	2006
Total Receipts \$M		\$41.8	\$62.8	\$89.9	\$114.8	\$144.1
Counties		\$4.0	\$5.2	\$5.6	\$6.2	\$6.2
School Districts		\$2.1	\$3.0	\$3.4	\$3.7	\$3.8
Towns		\$2.0	\$2.9	\$3.4	\$3.8	\$4.0
CWCB		\$4.2	\$6.3	\$9.0	\$11.5	\$14.4
State Public School	Fund	\$22.2	\$31.2	\$44.1	\$55.9	\$70.4
DOLA Grants		\$7.1	\$13.0	\$21.7	\$29.6	\$39.4
DOLA Direct Distribu	ution	\$0.3	\$1.2	\$2.7	\$4.1	\$5.9

Distribution of State Share of Federal Mineral Lease Revenue - 2006



General Statutory Direction for the Local Government Grants and Loans Program

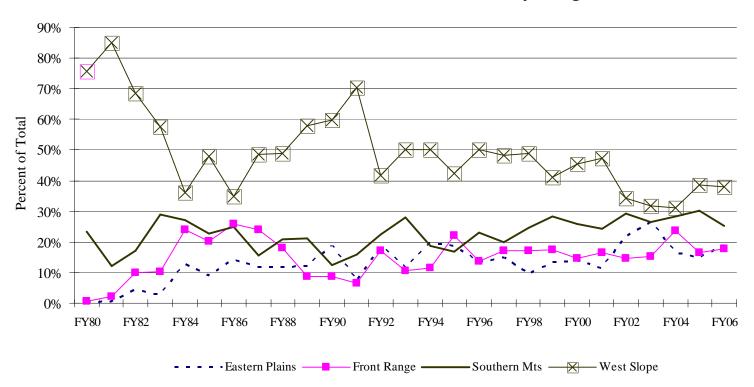
C.R.S. 39-29-110(1)(b)(I)... funds shall be distributed to those political subdivisions socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels subject to taxation under this article and used for the planning, construction, and maintenance of public facilities and for the provision of public services...

Program guidelines, procedures and reports can be found at:

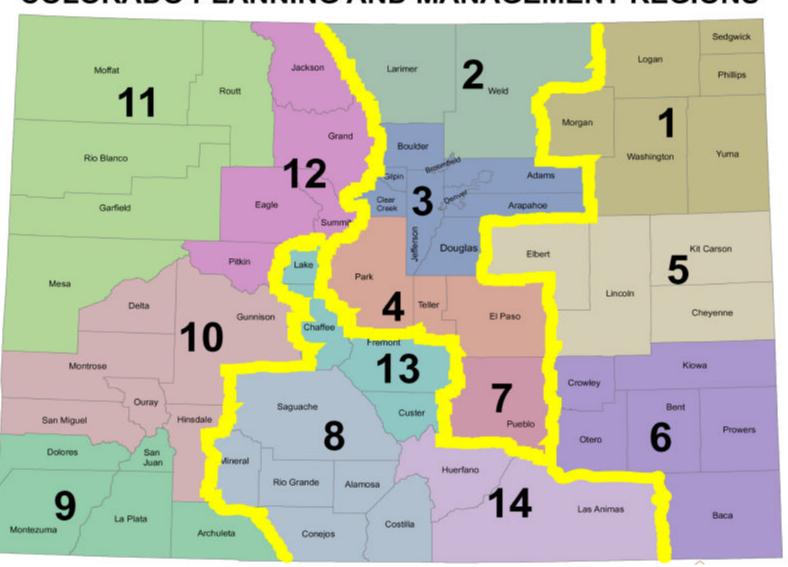
http://dola.colorado.gov/dlg/fa/eiaf/index.html

Over the years all parts of the state have become involved with the Local Government Impact Assistance program.

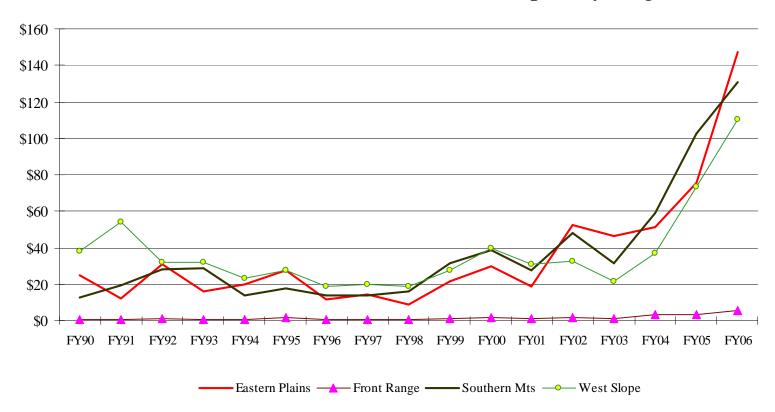
IMPACT Grants and Loans by Region



COLORADO PLANNING AND MANAGEMENT REGIONS

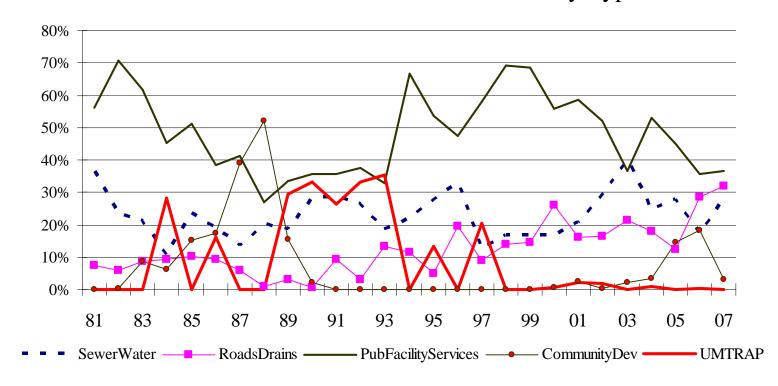


IMPACT Grants and Loans Per Capita by Region

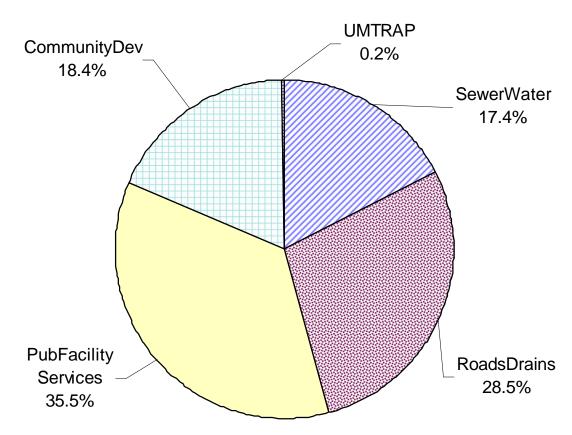


Over the years the Local Government grants program has responded to significant changes in the kinds of applications we receive.

IMPACT Grants and Loan Awards by Type



TOTAL Impact Program Awards 2006



The Pipeline of Local Government Projects

The Pipeline of Energy and Mineral Impact Co										
Year->	1	2	3	4	5	6	7	Not		
Local Government Projects in Development										
Project Funding Applications to Other Funds		\$200								
Impact Applications Packaging in Process		\$100								
Applications Reviewed and Offers Made		\$20	\$75					\$5	Applications Not awarded	
Offers Contracted		\$17	\$66	\$10	\$1	\$0		\$1	Awarded Not Contracted	
Contracts Paid Out		\$3	\$23	\$42	\$19	\$6	\$1	\$1	Contracted Not Paid	



Mesa Point Communications Tower, Grand Junction

Socio-economic Impact Studies

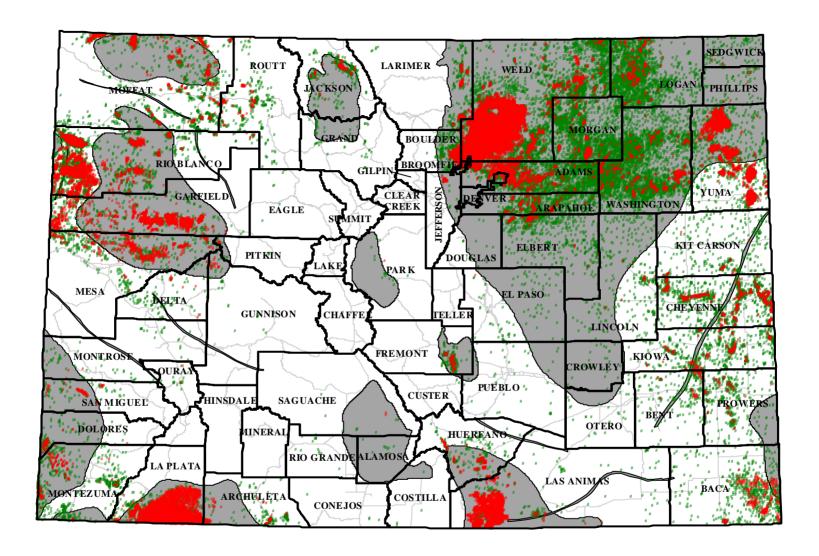
As the following map shows, there are mineral and energy development possibilities throughout the state of Colorado.

There are a host of mineral and energy development socio economic impact studies underway or recently completed in Colorado. Unfortunately, they each take a different approach.

We are collecting these materials for the Workgroup and will work with them to provide the committee with a presentation at your July 23 meeting on a standardized impact assessment methodology.

The current list of projects is below. This list and web pointers to web resources on each can be found on our web site at:

http://dola.colorado.gov/dlg/fa/eiaf/eiaf_projects.html



OIL & GAS WELLS OF COLORADO

SOURCE COGCC

Energy and Mineral Project web sites:

BLM Area Resource Mangement Plans with natural gas drilling

* Little Snake (Craig) www.co.blm.gov/lsra/rmp/

* Kremmling www.blm.gov/rmp/co/kfo-gsfo/

* Glenwood Springs www.blm.gov/rmp/co/kfo-gsfo/

* White River (Meeker)

www.co.blm.gov/nepa/rmpdocs/wrfodocs/wrformp.htm

* Roan Plateau www.blm.gov/rmp/co/roanplateau/

* Archuleta County HD Mountain Coalbed EIS 8/2006

* Wyoming Rawlins Office – Atlantic Rim ROD

http://www.blm.gov/wy/st/en/info/news_room/2007/05/21rfo-atlanticrim.html

* Utah Vernal Office http://www.ut.blm.gov/vernalrmpguide/og_leasing.htm

Oil Shale

* Oil Shale Research Development and Demonstration leases

www.co.blm.gov/wrra/WRFO_Oil_shale.htm

* BLM Oil Shale Leasing Programmatic EIS Information Center

www.ostseis.anl.gov/

* Shell Mahogany www.co.blm.gov/wrra/documents/co1102006117eat.pdf

* Chevron www.co.blm.gov/wrra/WRFO_ChevronOS_ea.htm

* Oil Shale Exploration Corp (OSEC) in Utah just west of Rangely, CO

http://www.blm.gov/utah/vernal/oilshaledraft.htm

http://www.oilshaleexplorationcompany.com/enviro.asp

* EGL Oil Shale www.co.blm.gov/wrra/wrfo os eas.htm

www.egloilshale.com/

Utah Oil Shale Projects http://www.blm.gov/utah/vernal/oilshaledraft.htm

Energy and Mineral Project web sites:

Coal

- * Coal mine production statistics www.mining.state.co.us/Coal%20Reports.htm
- * Coal mine permit applications

Red Cliff Coal Mine (Loma)

www.blm.gov/rmp/co/redcliffmine/documents.htm

Power Plants and Transmission

* High Plains Express Transmission Project

http://www.rmao.com/wtpp/HPX_Studies.html

* Bonanza II Utah www.epa.gov/region8/air/permitting/deseret.html

* Desert Rock near Farmington NM www.desertrockenergy.com/

www.epa.gov/region09/air/permit/desertrock/appl-info.html

Uranium www.lm.doe.gov/land/sites/uranium_leasing/uranium_leasing.htm

Sodium (Nacholite) www.naturalsoda.com/main.aspx

Federal Energy Corridor EIS corridoreis.anl.gov/index.cfm

Pipelines

- * Federal Energy Regulatory Commission www.ferc.gov/
- * Rockies Express Pipeline <u>www.rexpipeline.com/</u>

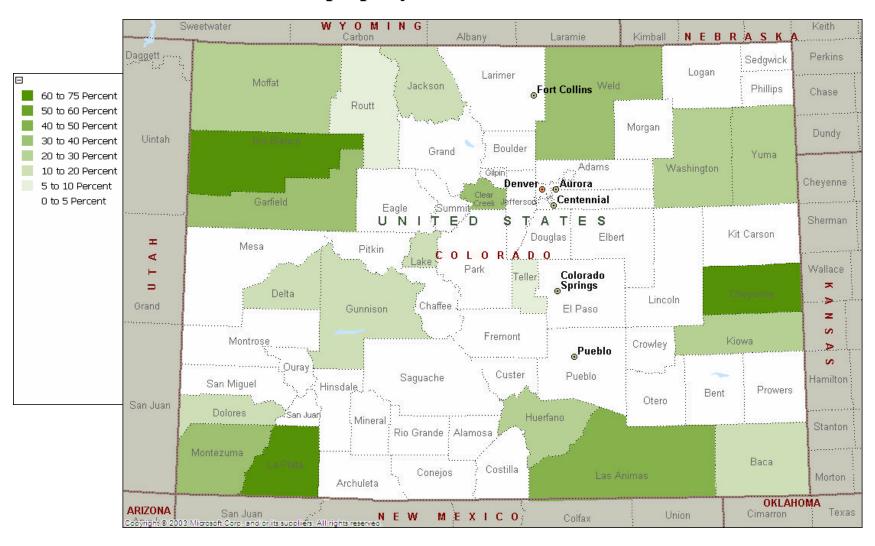
Railroads:

* Front Range by-pass studies ttp://www.dot.state.co.us/RailroadStudy/default.asp

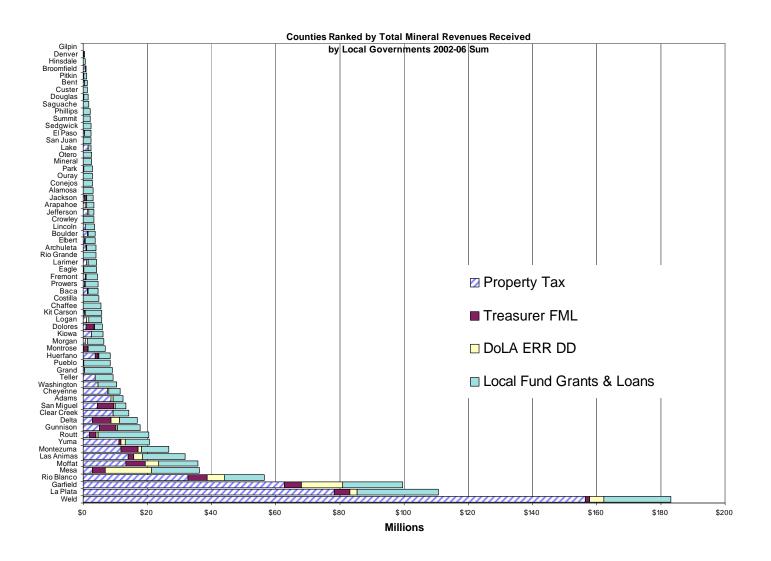
Energy and Mineral Project Impact Studies:

- * Rand study on oil shale www.rand.org/pubs/monographs/2005/RAND_MG414.pdf
- * La Plata County Oil and Gas Impact Study www.co.laplata.co.us/publications.htm
- * Garfield County Impact Study www.garfield-county.com/home/index.asp?page=1027

One measure of where this production is occurring is the mineral based property tax revenue as a percent share of total property taxes in counties.

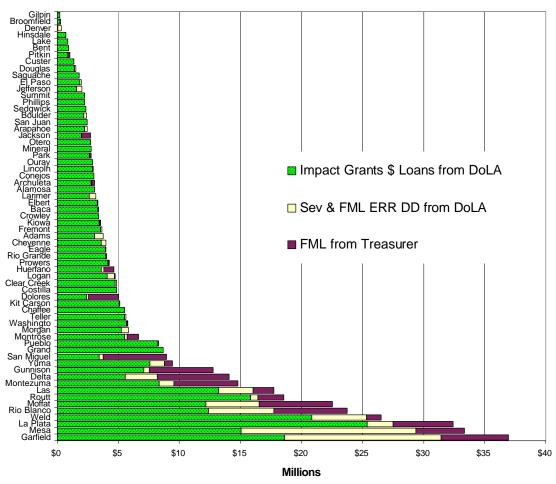


Mineral production generates significant revenue to local governments



The Current Impact Assistance Distributions to local governments

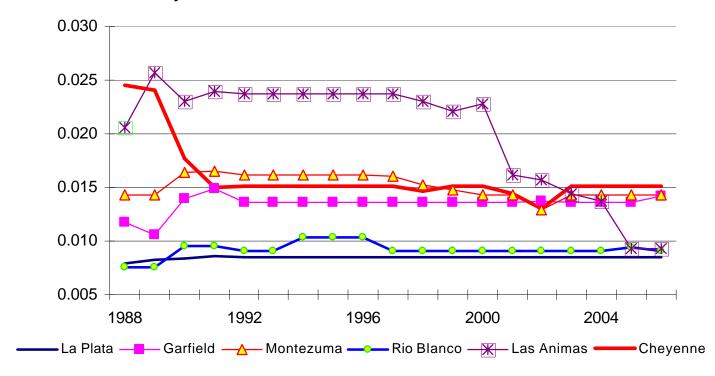
Counties Ranked by Severance and Federal Mineral Lease Received by Local Governments 2002-06 Sum



A large local control variable is the counties management of mill levy rates on the variable property tax base in mineral production areas.

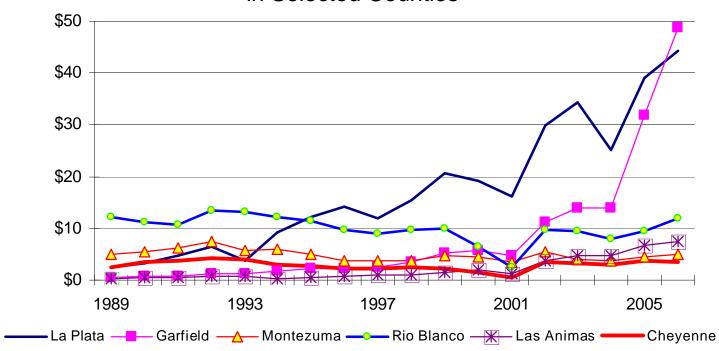
In these 6 counties mineral production is 70% of the total counties' assessed value.

County Effective Mill Rate in Selected Counties



Mineral production property tax revenues have increase substantially.





Web Resources for More Discussion

http://www.dola.colorado.gov/LGS/FA/EIAF/slide_show.html

Energy and Mineral Impact Assistance

Background Papers on Public Revenue from Mineral Production in Colorado

The list below gives links to detailed information on public revenue from mineral production in Colorado.

1) Mineral Revenues to the Public Sector in Colorado a series of 38 graphic slides describing the history of mineral production in Colorado, the public revenues generated, and the distribution of these revenues to state and local governments. A text and table version of this information is available at Mineral Tables

RELATED INFORMATION LINKS:

Colorado Oil and Gas Conservation Commission: http://oil-gas.state.co.us/
U.S.Dept. Energy - Energy Info Administration: http://www.eia.doe.gov/

U.S.Dept Interior Mineral Management Service: http://www.mrm.mms.gov/Stats/statsrm.htm

Colorado Division of Property Taxation Annual Report: http://www.dola.state.co.us/PropertyTax/Publications/PublisIintro.htm

Colorado Department of Revenue Annual Report: http://www.revenue.state.co.us/Stats_Dir/wrap.asp?incl=taxstats

Colorado State Treasurer Payments to Local Governments: http://www.treasurer.state.co.us/transfers/fed_funds.html

 $Colorado\ Division\ of\ Mines\ Reports:\ \underline{http://www.mining.state.co.us/DMG\%20Reports.htm}$

Colorado Geological Survey Report: http://geosurvey.state.co.us/portals/0/MMF_2004_small.pdf

- 2) Severance Tax Revenue Projections Methods a paper describing the economic dynamics of the state severance tax and methods to project state severance tax revenues into the future.
- 3) Federal Mineral Lease Distributions in Colorado a paper describing the statutory distribution of these funds to Colorado state and local governments with a table of figures and flow chart.
- 4) Payment in Lieu of Taxes (PILT) program descriptions Three programs with tax exempt lands make payments to local governments to off set lost local tax revenue.
- 5) Why is Severance Tax so variable? A two page brief with charts to explain the structural reasons why severance tax revenue to the state is so vairable.

Colorado Department of Local Affairs



Department of Natural Resources

Presentation

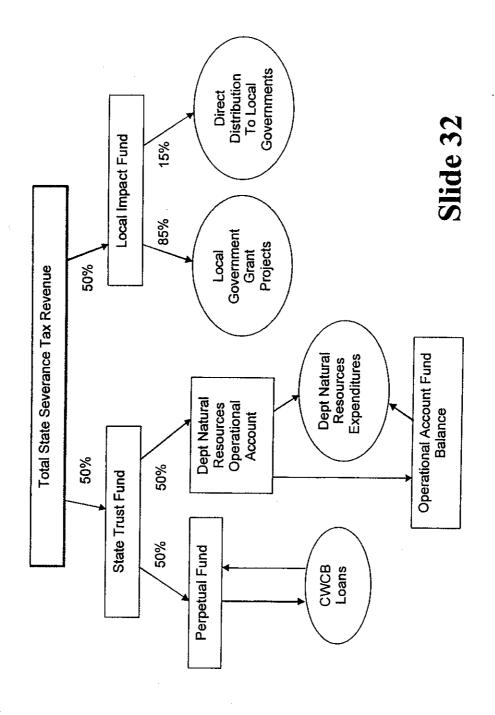
To the

Interim Committee to Study the Allocation of Severance Tax and Federal Mineral Lease Revenue

> House Committee Room 0112 State Capitol Building

> > June 21, 2007

Energy and Mineral Impact program. The other half now goes to Half of severance revenue has gone to local governments via the programs in the Department of Natural Resources



I. STATUTES RELATED TO THE STATE SEVERANCE TAX TRUST FUND

Section 39-29-101 (1) The general assembly hereby finds and declares that, when nonrenewable natural resources are removed from the earth, the value of such resources to the state of Colorado is irretrievably lost. Therefore, it is the intent of the general assembly to recapture a portion of this lost wealth through a special excise tax, in addition to other business taxes, on the nonrenewable natural resources removed from the soil of this state and sold for private profit.

Section 39-29-109 (1) (a) There is hereby created in the office of the state treasurer the severance tax trust fund. The fund is to be perpetual and held in trust as a replacement for depleted natural resources and for the development and conservation of the state's water resources pursuant to sections 37-60-106 (1) (j) and (1) (l), 37-60-119, and 37-60-122, C.R.S., and for the use in funding programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water.

Section 39-29-109 (1)(c)(I) The general assembly may appropriate moneys from the total moneys available in the operational account of the severance tax trust fund to fund recommended programs as follows:

- (A) For programs or projects within the Colorado oil and gas conservation commission, up to forty-five percent of the moneys in the operational account;
- (B) For programs within the Colorado geological survey, up to twenty percent of the moneys in the operational account;
- (C) For programs within the division of reclamation, mining, and safety, up to thirty percent of the moneys in the operational account. As part of such thirty percent, five hundred thousand dollars, or so much as may be available, shall be transferred to the abandoned mine reclamation fund created in section 34-34-102, C.R.S.
- (D) For programs within the Colorado water conservation board and for purposes authorized by article <u>75</u> of title <u>37</u>, C.R.S., up to five percent of the moneys in the operational account.
- (II) Moneys appropriated for programs or projects within the Colorado oil and gas conservation commission pursuant to sub-subparagraph (A) of subparagraph (I) of this paragraph (c) shall be used by the commission for plugging and abandonment projects, for well-site location reclamation projects, or for regulatory and environmental programs or projects as specifically appropriated by the general assembly for use on such programs or projects; except that, if the commission determines that an emergency exists, the commission may expend any moneys received for such emergency without any further appropriation. In determining the uses of these moneys, the commission shall give priority to uses that reduce industry fees and mill levies.

II. DEPARTMENT OF NATURAL RESOURCES PRIORITIES REGARDING SPENDING OF MONEYS FROM THE OPERATIONAL ACCOUNT

- Consistent with statutes, moneys are used for programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water.
- Consistent with the principle that the fund is to be perpetual and held in trust as a replacement for the depletion of non-renewable natural resources, the majority of DNR's severance tax funding is spent on projects and programs whose benefits are long term in nature. In this regard, future generations will receive compensation for the depletion of natural resources by the current generation. Programs consistent with intent include the regulation of current mining activities to minimize environmental impacts, reclamation of historical mine sites, studies to improve environmental knowledge and benefit natural resource planning, and projects to meet long-term water supply needs.
- A top priority for DNR, not in the statutory allocation, has been to use moneys in the Operational Account of the Severance Tax Trust Fund to help capitalize the Species Conservation Trust Fund (SCTF). Since the creation of the Fund in 1998, the Operational Account has contributed \$16.9 million toward the capitalization of the Fund (see H.B. 00-1429 and H.B. 06-1311). An additional \$12.0 million will be transferred in FY 2008-09, FY 2009-10, and FY 2010-11 contingent upon reserve requirements being met (see H.B. 07-1182). This need is driven in large part by large, multi-state agreements on the Platte River, Colorado River, and San Juan River to protect and recover endangered species as part of a cost share program with the federal government. The intent of these programs is to recover endangered fish species while allowing for water development on the rivers in accordance with federal and state laws. Additional funding from the Species Conservation Trust Fund has been used to protect terrestrial species as well. The Department believes that protection of endangered species and biodiversity for future generations fits with the theme of compensating future generations for the irretrievable loss associated with the depletion of nonrenewable natural resources.
- Given the significant challenges Colorado will face in meeting future water demand, a significant amount of funds from the Operational Account have been used to support the Interbasin Compact Committee (IBCC). Funding will be used to: (1) develop consumptive and non-consumptive needs assessments in each of Colorado's water basins; (2) analyze the availability of water supplies, including unappropriated waters, within each river basin, and; (3) propose projects or non-structural methods from meeting water supply needs and utilizing unappropriated waters where appropriate. Severance tax moneys are used to both fund the operation of the IBCC as well as to fund grants and loans for water supply projects, environmental projects, and studies approved by IBCC Basin Roundtables.

 Consistent with sound natural resource planning and meeting Colorado's long term water needs, Operational Account moneys have also been used to promote water conservation planning, drought planning, and implementation of water efficiency projects.

III. GUIDING PRINCIPLES DRIVING THE DEPARTMENT OF NATURAL RESOURCES' SPENDING OF OPERATIONAL ACCOUNT MONEYS

- Given historical fluctuation, DNR has been prudent when increasing its ongoing, base severance tax spending. DNR has historically believed that a portion of base spending should be used on one-time projects or contract work that could be reduced if revenues decline. This philosophy reflects a caution to maintain spending at a level which is sustainable in the long term. In this regard, DNR has been very conservative about adding permanent FTE funded out of the Operational Account.
- Given historical revenue fluctuation, DNR has also supported maintenance of the two-year reserve. Given the need to maintain core DNR programs including the regulation of oil and gas activities, coal mining, and the mining of other minerals maintenance of the two-year reserve remains important to assure funding of base programs even during years of declining severance tax revenues. Reflecting this belief, last year the Department of Natural Resources worked with the General Assembly and Governor's Office to pass H.B. 07-1372 to reduce Operational Account spending rather than reduce the size of the required reserves. DNR remains committed to supporting a sustainable level of spending from the Operational Account of the Severance Tax Trust Fund.
- Because Operational Account moneys are used to fund a significant number of FTE in the Division of Mining, Reclamation, & Safety, the Colorado Geological Survey, and the Colorado Oil and Gas Conservation Commission, a significant amount of new funding is needed each year from the Operational Account to fund wage inflation. For example, DNR is currently estimating that salary increases awarded in FY 2007-08 will cost about \$200,000 per year. Additional increases are needed for the rising cost of benefits and other administrative expenses.

IV. PROCESS FOR PRIORITIZING OPERATIONAL ACCOUNT SPENDING

- Pursuant to Sections 34-20-104 and 39-29-109 (1)©(I), the Minerals, Energy, and Geology Policy Advisory (MEGA) Board reviews and provides advice to DNR's Executive Director regarding the Department's annual request for funding from the Operational Account of the Severance Tax Trust Fund.
- Following the Executive Branch budget policy, significant new spending from the
 Operational Account requires a "decision item" including a full analysis of costs
 and benefits. The Executive Director of the Department, working with the
 Governor's Office of State Planning & Budgeting, reviews proposed expenditures
 and the associated analysis then set priorities accordingly.
- Statutes for both the Operational Account and the Perpetual Base Account are silent on how the money should be spent geographically. Indeed, the vast majority of Operational Account moneys are spent on programs of statewide significance, such as regulating mining operations in the State and performing environmental projects and studies.

V. STATEWIDE FACTORS IMPACTING SPENDING FROM THE OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND

- The State's General Fund budget problems have had a significant impact on the spending of moneys from the Operational Account of the Severance Tax Trust Fund. With a historical lack of General Fund dollars available under the six percent limit, policy makers are constantly looking for new sources of money to fund new initiatives. This impact can be seen in the number of non-traditional uses of severance tax funded in recent years through special legislation. Additional impacts of the State's General Fund budget problems are further discussed in the bullet points below.
- The FY 2000-01 Long Bill contained \$317,000 GF to fund 17% of the Coal Land Reclamation program. For this program, the federal government pays 79% of the total costs. The remaining portion of the State share (or 4 percent of the total costs) was paid from the Operational Account of the severance tax trust fund. Due to the State's General Fund budget crisis, the General Fund portion of this program was permanently refinanced with Operational Account moneys in FY 2001-02. This increased the share of the program funded with severance taxes from 4 percent to 21 percent.
- The FY 2000-01 Long Bill contained a total of \$564,000 GF for the Colorado Geological Survey. The intent of this General Fund was to fund the Survey's administrative expenses as well as subsidizing things such as publication of information on the Internet (an activity which has no obvious cash stream and for which cash funding may reduce the dissemination of important geologic information). General Funding represented about 15 percent of the Colorado Geological Survey's budget in FY 2000-01. Due to the State's General Fund budget crisis, the General Fund portion of this program was completely eliminated and refinanced with Operational Account moneys in FY 2001-02.
- During the budget crisis, the General Assembly passed three bills transferring moneys from the Operational Account (H.B. 02-1391, S.B. 03-191, and S.B. 03-271). These bills provided for the total transfer of \$31.7 million from the Operational Account of the Severance Tax Trust Fund to the General Fund in FY 2001-02, FY 2002-03, and FY 2003-04. Of this amount, \$7.9 million was later repaid to the Operational Account pursuant to Section 24-75-217 [see also Section 39-29-109 (1)(f)(II), C.R.S.].

OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND NEEDS ASSESSMENT FOR THE DIVISION OF RECLAMATION, MINING AND SAFETY JUNE 2007

Basic Facts:

FY 2007-08 Operational Account Appropriation: \$4,344,196 FY 2007-08 Appropriation as Percent of Available Funding: 6.4% Statutory Limitation as Percent of Available Funding: 30% Number of FTE's Funded Through the Operational Account: 22.9 FTE

Programs Currently Funded Through the Operational Account

Coal Regulatory Program [\$680,000 in FY08 / 27% of program budget].

This program is delegated by the federal Office of Surface Mining to regulate coal mining in Colorado. Ten coal mines/loadouts are currently operating in the state, which result in coal production that ranks 6-7th in the nation. The program also regulates thirty-four non-active permits. State primacy for coal regulation includes permitting, inspection, compliance and reclamation; it is preferred by mine operators due to efficiencies gained by local proximity to state regulators with extensive knowledge of their specific mine conditions.

- Severance Tax revenue provides required match to obtain \$1.9 million in federal funds and maintain state primacy for coal regulation.
- Severance tax revenue funds 27% of personal services, operating and centrally appropriated "Pots" (leased space, legal services, leased vehicles, etc.) and supports 6.2 FTE. This revenue has prevented reductions in FTE as workload has increased while federal grants have remained flat or have not kept pace with inflationary increases in the program.
- Fees are not charged on coal mines because the federal grant structure causes a reduction in federal grant funds for fees received.

Minerals Regulatory Program [\$1,870,000 in FY08 / 64% of program budget]. The Minerals Program regulates over 1,600 mines comprised of metal (gold, silver, etc) and construction materials (sand and gravel) statewide. Current funding levels in the program support permitting and inspection of these sites and support the Mined Land Reclamation Board as the appeals body for permitting and enforcement actions.

- Severance tax funds 64% of personal services, operating and centrally appropriated "Pots" and supports 11.8 FTE in the Minerals Program.
- The remaining revenue in the program is derived from fees charged on mining operations. Such fees would need to be increased by 286 percent to cover the severance tax portion of the program funding.

<u>Inactive Mine Reclamation Program [\$1,350,000 in FY08 / 11% of program budget]</u>. The program funds and manages projects that address hazards and environmental problems associated with abandoned mines, such as hazardous mine openings, acid mine drainage and sediment problems from mine waste and mill tailings. These are primarily

at abandoned mine sites that existed before mine reclamation statutes were passed and no financial warranty/bonds were required ("pre-law" mining). Since 2003, 48 safeguarding and environmental remediation projects have been funded from severance taxes in this program.

 Severance tax funding supports mine remediation projects at pre-law sites that have been abandoned or the permits have been forfeited due to bankruptcy or other operator or financial institution failures. This includes site clean-up, water quality improvements, and reclamation. Severance taxes also support 1.4 FTE as project management personnel.

Mine Safety and Training/Blasters Certification Program – [\$415,000 in FY08 / 58% of program budget].

This program trains and assists approximately 7,000 miners per year on miner safety and compliance with federal mine safety regulations. It coordinates the certification of 175 coal mine officials per year through the Coal Mine Board of Examiners. The program conducts mine rescue and mine emergency training not only for Colorado's mine rescue teams, but also for western regional teams. Severance tax funding has afforded the program the ability to produce nationally recognized training materials that are used by mines nationwide. In Colorado, the federal government conducts safety inspections, but the state provides safety training.

- Severance taxes provide the state match required to receive \$288,400 in federal grant funds, and comprise 41% of the total program funding.
- Severance taxes provide 58% of the funding for personal services, operating and centrally appropriated "Pots" and support 3.5 FTE. This revenue has covered a funding gap caused by static federal grant funding, while federal training requirements have increased. This has prevented FTE reductions in the program during a time of increased national attention on mine safety.
- Fee revenue in the program is approximately \$6,000 per year.

Emergency Response Funding - [\$25,000 in FY08]

Severance tax of \$25,000 is appropriated annually, as needed, to address mine site emergencies that pose a public health or safety concern, such as clean-up of hazardous materials, water quality controls, or other mine conditions that pose human health and safety problems. A large-scale mine emergency, for which the \$25,000 would not be adequate, would require the division to request an emergency Supplemental from the Joint Budget Committee.

Unmet Needs

Federal Grant Funding in Coal Regulatory Program and Mine Safety and Training Program

As federal grants fail to keep pace with inflationary costs or decline based on federal funding decisions, severance tax revenue is necessary to maintain current staffing and operating levels in these programs as workload demands have increased in both programs.

Minerals Regulatory Program - \$120,000 to \$240,000

Additional FTE and associated operational costs are needed as the elements of the 2005 Energy Act unfold. Staffing demands will be impacted by increased production in uranium, oil shale and coal, and by the new construction materials required for the facilities associated with these mines.

Forfeited Mine Sites - \$1,619,000

Forfeited mine sites are those where the financial warranty/bond has been inadequate or where the surety institution or operator was bankrupt or deceased, and left no assets for the state to use to fully reclaim and control conditions at the mine. There are 34 sites with a cost of \$1,619,000 after deducting the projects funded in FY07-08 from severance taxes (\$342,000/10 projects). The Inactive Mine Reclamation Program is authorized to coordinate the reclamation work required at these sites.

Mine Safety - \$230,000

Additional severance tax funding in the Colorado Mine Safety and Training Program (MSTP) ensures the program can meet increasing safety training demands in the state's booming coal mining industry. Due to increased federal mine safety regulations and training initiatives as a result of the Sago Mine disaster, and a 30-50 percent projected turnover in mine employees, it is important that MSTP improve training facilities/ materials and maintain adequate staffing in order to meet industry demand and keep working conditions safe for Colorado's coal miners.

Emergency Response Funding

If a large-scale mine emergency occurred that required immediate availability of state funds to prevent water quality problems from impacting off-site water sources or to address other hazards at a mine (in excess of the annual appropriation of \$25,000), severance tax funding offers an alternative to the use of General Fund dollars.

OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND NEEDS ASSESSMENT FOR THE COLORADO GEOLOGICAL SURVEY

Basic Facts:

FY 2007-08 Operational Account Appropriation:	\$2,203,750
FY 2007-08 Appropriation as Percent of Available Funding	g: 3.3%
Statutory Limitation as Percent of Available Funding:	20.0%
Number of FTE's Funded Through the Operational Account	nt: 18.0*
* Note: 84% of our appropriated FTE amount of 34.0 is funded to some degree	e by Severance Tax

Programs Currently Funded Through the Operational Account

<u>Environmental Geology and Geologic Hazards (\$992,353 and 8.3 FTE)</u> – This program conducts studies and publishes the results on the geology of groundwater, water quality, and geologic hazards. The program also conducts outreach to planners, policymakers, geotechnical professionals, water roundtables, and the public.

Mineral Resources and Mapping (\$1,048,000 and 8.8 FTE) – This program includes: (1) compilation of data on the mineral and energy industries; (2) participation in DNR collaborative studies with federal agencies; (3) completion and publishing of studies to promote the development of geothermal energy, carbon sequestration, and conventional mineral and energy resources; (4) preparation of geologic maps at 1:24,000 under the National Cooperative Geologic Mapping Program, and; (5) outreach to planners, policymakers, geotechnical professionals, and the public.

Colorado Avalanche Information Center (\$163,000 and 0.9 FTE) - Reduce deaths, injuries, and damage from avalanches through forecasting and education.

Unmet Needs

Additional Staffing for Environmental Geology and Geologic Hazards (\$265,000 and 2.0 FTE) – With additional funding, the Colorado Geologic Survey could hire 2.0 FTE hydrogeologists to perform a variety of groundwater studies. Additional funding would be used for contractor support. Potential studies include the characterization and quantification of non-tributary groundwater resources in the state, creation and maintenance of a groundwater monitoring network and hydrologic data repository, groundwater depletion studies, a groundwater resource assessment of the Denver Basin, a stratigraphic correlation of the Denver Basin Aquifer, and groundwater resource assessments for other developing areas of the State. Funding would also be used for the promotion of the storage of excess stormflows in aquifers as well as the beneficial use of produced waters. Additional funding for this program reflects the need to become more proactive in order to protect and assure adequate water supplies for the future. Funding would also be used for geologic hazard work, including statewide landslide susceptibility mapping and statewide swelling soil potential studies. The need for additional geologic hazard work is based in part on future population-growth projections indicate that the potential for building in geologically hazardous areas is increasing.

Additional Staffing for Mineral Resources and Mapping (\$240,000 and 3.0 FTE) – Additional funding would be used to hire the following staff:

- CO2 /Petroleum Geologist. The primary justification for this FTE would be that Colorado's large potential for CO2 sequestration needs considerable further geological study. CO2 sequestration is an important component of climate change planning for Colorado.
- Geothermal Geologist. Compiling the data necessary to encourage the
 development of geothermal energy (the only renewable that qualifies as a
 baseload source) is important to the state's commitment to renewable energy.
 MIT's report puts Colorado's geothermal potential as one of the best in the nation.
- Industrial Minerals / Mapping Geologist. With increased population projections, county planners need better information on undeveloped mineral resources (particularly sand & gravel) in order to adequately incorporate potential mineral resources into their plans as required by state statute. Further, 75 percent of the 7.5' quadrangles in the state have not yet been geologically mapped. 7.5' geologic quadrangle mapping is crucial for land use planning, mineral resource development, scientific understanding, and aquifer characterization.

Education Coordinator for the Colorado Avalanche Information Center (\$60,000 and 1.0 FTE) — With additional funding, the Colorado Avalanche Information Center could hire a much needed Education Coordinator to develop curricula for avalanche education including web-based education, and create new education materials, manage the education schedule of the CAIC. Additional staffing under this concept would provide for the summer upkeep and maintenance of weather stations. Colorado historically has the largest number of avalanche deaths in the nation. With the increased population projections and increased winter usage of the backcountry, improved avalanche forecasting and safety education has become increasingly important.

OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND NEEDS ASSESSMENT FOR THE COLORADO OIL AND GAS CONSERVATION COMMISSION

Basic Facts:

FY 2007-08 Operational Account Appropriation: \$2,337,538

FY 2007-08 Appropriation as Percent of Available Funding: 3.4%

Statutory Limitation as Percent of Available Funding: 45%

Number of FTE's Funded Through the Operational Account: 24.0 (approximately) - out

of a total of 55.0 FTE

Programs Currently Funded Through the Operational Account

Program Costs (\$2,218,182 Operational Account + \$2,635,785 Oil and Gas Conservation and Environmental Response Fund = \$4,853,967 total appropriation) — This line item funds the COGCC's personnel and operating expenses, including 53 employees, commission hearing expenses, travel expenses, vehicle mileage, information technology, and general office overhead. The employees funded through this line item are involved in field inspections, complaint response, enforcement, permitting, regulatory report reviews, environmental studies, mitigation of impacts caused by oil and gas activity, and general administration. The Operational Account funds approximately 46% of this line item.

<u>Data Cleanup Project (\$119,356 one time funds)</u> — This project focuses on verifying, correcting, and adding to the data that was migrated from the COGCC's old computer system to its new system. Completion of the project will improve the efficiency of the agency's staff and customers in the retrieval of data and facilitate decision making using the agency's database applications with enhanced quality and quantity of data. Accurate and readily available online information will also improve the agency's regulatory efforts.

Unmet Needs

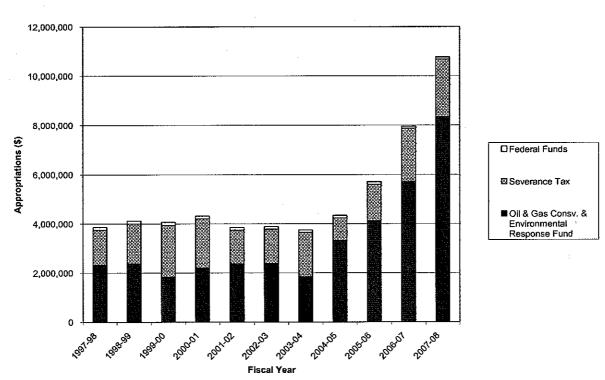
The graph below shows the growth in total funding for the COGCC over the last four years. Most of that growth, which was necessitated by the record level of oil and gas industry activity, has depended on funds from the Oil and Gas Conservation and Environmental Response Fund, as very little additional money from the Operational Account has been available to the agency. Funding from the Operational Account grew from about \$1.8 million in FY 2003-04 to about \$2.3 million in FY 2007-08, but the amount of Operational Account funds, as a percentage of total funding for the agency, significantly decreased over that time period from about 48% to 22%.

Had the agency been able to maintain a constant funding split from FY 2003-04 to FY 2007-08, the Operational Account's share of COGCC funding would have increased to \$5.2 million, or approximately \$2.8 million more than it currently contributes. As all of the agency's expenditures are appropriate uses of Operational Account funds, the \$2.8

million, or a portion of it, should be considered "unmet needs". The increased burden that has been placed on the Oil and Gas Conservation and Environmental Response Fund is requiring the Commission to nearly double the mill levy rate from 0.5 mills to an estimated 0.925 mills in FY 2007-08 to ensure adequate funding over the next two years, even though the Severance Tax Trust Fund statute CRS 39-29-109(1)(c)(II) directs the OGCC to "give priority uses" of severance tax moneys that "reduce industry fees and mill levies".

As oil and gas activity continues to increase in the state, and as the COGCC works to implement HB07-1341 and respond to demands for additional field presence, the need for funding will continue to grow. It is apparent that funds from the Operational Account will not be available to support this expected growth and that the agency will need to rely on the Oil and Gas Conservation and Environmental Response Fund for an increasingly disproportionate share of its total funding requirements.

COGCC Annual Appropriations



OPERATIONAL ACCOUNT OF THE SEVERANCE TAX TRUST FUND NEEDS ASSESSMENT FOR THE COLORADO WATER CONSERVATION BOARD

Basic Facts:

FY 2007-08 Operational Account Appropriation: \$1,319,250

FY 2007-08 Appropriation as Percent of Available Funding: 1.9%

Statutory Limitation as Percent of Available Funding: 5%

Number of FTE's Funded through the Operational Account: estimated at 0.5 FTE (the Administration section of the Long Bill is bottom line funded with \$43,750 funded from the Severance Tax Operational Account)

Programs Currently Funded Through the Operational Account

Severance Tax Fund Grant Program (\$1,275,500 in FY 2007-08) - The grant program funds a variety of projects including: (1) water supply protection; (2) water supply planning; (3) stream and lake protection; (4) water conservation planning, and; (5) flood protection. Programs may include matching funding from outside sources and include both statewide and local interests. The approved projects are completed within any given fiscal year. Funding has increased from \$585,000 in FY 2004-05 to \$1,275,500 in FY 2007-08.

Severance Tax Fund Grant Program Administration (\$43,750 and roughly 0.5FTE) – Each year in the Long Bill, CWCB is appropriated \$43,750 to roughly offset the cost of administering the Severance Tax Fund Grant Program.

Water Efficiency Grant Program (\$610,000 and 1.0 FTE) – Under S.B. 05-1254, the General Assembly set aside \$1.58 million of Operational Account moneys to provide for three years of grant funding, at \$500,000 per year, for implementing water efficiency measures. Grant funding was provided for FY 2005-06, FY 2006-07, and FY 2007-08. This bill also provided \$80,000 for administration of the grant program. Under S. B. 07-008, the sunset date for the Water Efficiency Grant Program has been extended from 2008 to 2012. Further, S.B. 07-008 broadens the purpose of the grant program to include water conservation planning and implementation, education and public outreach, and drought mitigation planning and implementation.

Interbasin Compact Committee (\$1,108,000 and 1.7 FTE) - Under H.B. 05-1177 and H.B. 06-1400, moneys from the Operational Account are used to fund the operation of the Interbasin Compact Committee (IBCC). In an effort to meet Colorado's future water needs, the IBCC will: (1) develop consumptive and non-consumptive needs assessments in each of Colorado's water basins; (2) analyze the availability of water supplies, including unappropriated waters, within each river basin, and; (3) propose projects or non-structural methods from meeting water supply needs and utilizing unappropriated waters where appropriate.

Water Supply Reserve Account Grant Program (\$6,000,000 in FY 2007-08) – Under S.B. 06-179, the General Assembly set aside \$10,000,000 per year for four years to provide for grants and loans for water supply projects, environmental projects, and studies. All projects and studies funded under this program must be approved by the IBCC Basin Roundtables. Consistent with supporting the IBCC process, this grant program is intended to assist Colorado's river basins in planning and implementing projects to meet long term water supply needs. A particular priority for the grant program is to help promote cooperation and collaboration among all water interests in our diverse river basins.

Unmet Needs

Severance Tax Fund Grant Program (\$588,500 - \$859,000 annually) - Annual requests from applicants within the Colorado Water Conservation Board and outside sources exceed a total of \$2 million each year. The CWCB has never received its full 5% share of the total revenues in order to meet the needs of the requests. It is expected that requests will continue to rise above the available funding. In FY 2008-09, CWCB would need an additional \$588,500 to fund all the high and medium priority grant requests that it has received. To fund the entire list of grant requests would require an additional \$859,000.

Statewide Water Supply Initiative – In 2003, the General Assembly approved funding to complete the Statewide Water Supply Initiative (SWSI) to examine, on a basin by basin basis, Colorado's projected water supplies and water demands. One of SWSI's major findings was that projects and water planning by local water providers have the ability to meet about 80 percent of Colorado's municipal and industrial water needs through 2030. Meeting the 20 percent "gap" in long term water supply will require a variety of state and local funding. At this time, the Department has not identified exactly how much it will cost to fund this gap or from where the funding will come to meet these future water supply needs. To help better understand these costs and needs, IBCC Basin Roundtables are conducting needs assessments are will be proposing projects to meet basin needs. Additional Operational Account moneys may be needed for implementing some of these projects, consistent with what was started under the Water Supply Reserve Account program (S.B. 06-179). On top of this, the CWCB loan program projects over \$200 million dollars worth of proposed water project needs over the next five years. These projects will be financed with available funds from the annual severance tax trust fund perpetual base account revenues. Finally, water efficiency will play a key role in meeting future water supply needs. In this regard, continued or expanded Operational Account funding will be needed to build upon the success of the Water Efficiency Grant Program.

Species Conservation Trust Fund (\$10 to \$11 million) - In 1997, the Governors of the States of Colorado, Nebraska, and Wyoming signed an agreement with the Department of Interior to improve and/or study the habitat of four endangered species in the Central Platte River in Nebraska. The program, which Colorado entered into in 2006, will provide benefits for the endangered interior least tern, whooping crane, and pallid sturgeon and the threatened piping plover (the target species). The total burden of the

program will be shared equally by the United States and the three States (50% federal/50% States). Colorado's obligations under the agreement include:

- Cash Commitment Per the program agreement, Colorado's cash obligation is \$24 million adjusted for inflation, for work during the first 13 years. To begin meeting this cash commitment, House Bills 06-1311 and 07-1182 authorized the expenditure of up to \$8 million for the Platte River Recovery Program, leaving a balance of \$16 million plus interest charges. Through provisions in HB 07-1182 it is assumed that another \$12 million over three years (beginning in FY 08-09) will be made available. Further, with increased severance tax revenue projections for FY 2006-07, it now appears as if the State's cash commitment will essentially be paid of by FY 2010-11 (depending on the exact interest charges, there might be as much as \$1.0 obligation still remaining).
- Water Obligations In addition to the above cash commitments, Colorado will
 need funds to satisfy water obligations under the agreement to meet existing target
 flow shortages and to compensate for future residents who move into Colorado's
 South Platte River Basin. Approximately \$2 million has already been
 appropriated for this commitment but an estimated \$10 million in additional
 funding will be needed to satisfy this water commitment in the coming years.

Additional Information

Please see the CWCB's web site for more information on the CWCB's administration of its severance tax revenues, including a fact sheet, applications, and annual financial statements.

In addition, the CWCB annually reports on the progress of project completion each year. This report has been included as an attachment to the July CWCB Director's Report.

Helpful web site links:

http://www.cwcb.state.co.us/Finance/sevTaxOperationalAccount.htm

 $\underline{http://www.cwcb.state.co.us/Finance/pdfsDocs/2006SeveranceTaxTrustFundStatement.p}\\ \underline{df}$

Colorado Water Conservation Board

CONSTRUCTION FUND AND SEVERANCE TAX TRUST FUND PERPETUAL BASE ACCOUNT

USE/DISTRIBUTION OF SEVERANCE TAX AND FEDERAL MINERAL LEASE REVENUE



Colorado Water Conservation Board Department of Natural Resources

June 2007

COLORADO WATER CONSERVATION BOARD

WATER SUPPLY PLANNING AND FINANCE SECTION

Policies and Procedures Manual

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	Grant Fund

POLICY NUMBER: 12

SUBJECT:

PRIORITIZATION OF PROJECT FUND APPLICATIONS CONSTRUCTION FROM THE **FUND** SEVERANCE TAX TRUST FUND PERPETUAL BASE

ACCOUNT

EFFECTIVE DATE: November 24, 1997

POLICY:

The Colorado Water Conservation Board (CWCB) will give preference for funding from the Construction Fund and Severance Tax Trust Fund Perpetual Base Account to those projects that are most cost effective, demonstrate the greatest need for assistance in financing, and that best relate to the Board's Long Range Plan. This policy is in addition to the project priority order established in Sec. 37-60-121(1)(b)(I) and (II), CRS. That statute gives the first priority of funds to projects that increase the beneficial consumptive use of Colorado's undeveloped compact entitled waters and the remainder of the funds to projects for the repair and rehabilitation of existing water storage and delivery systems, controlled maintenance of the satellite monitoring system authorized pursuant to section 37-80-102(10) and for investment in water management activities and studies as provided in Section 37-

60-119(3)

PURPOSE:

To establish a method to prioritize funding requests from the Construction Fund and Severance Tax Trust Fund Perpetual Base Account in the event that the demand exceeds the available funds from either source in any given year.

APPLICABILITY:

This policy and procedure apply to all requests for funding from the CWCB Construction Fund and Severance Tax Trust Fund Perpetual Base Account.

PROCEDURE:

In the event that total requests for funding from the CWCB Construction Fund or the Severance Tax Trust Fund Perpetual Base Account exceed the funds available from either source in any given year, the requests for funding will be prioritized as described here. The CWCB staff will prepare, for the Board's consideration. a summary of the technical and financial characteristics associated with each project funding application. The project characteristics will include the type of funding sought, type of project, the cost effectiveness of each project, the estimated total annual yield for water supply, the damages avoided for floodplain projects and the type of project sponsor as shown in the following list in order of priority:

Page 2 – Policy # 12 Project Prioritization

- 1. Type of funding
 - a. loan
 - b. non-reimbursable investment
- 2. Type of project (structural or non structural)
 - a. development of compact entitlement
 - b. dam rehabilitation
 - c. infrastructure construction or rehabilitation
 - d. satellite monitoring system
 - e. water management activities and studies (including feasibility studies)
 - f. floodplain management
- 3. Estimated annual yield in acre-feet for water supply projects or damages avoided for floodplain projects
- 4. Cost effectiveness of the project*
- 5. Project sponsor
 - a. agricultural and municipal low income
 - b. municipal middle income
 - c. municipal high income
 - d. commercial/industrial

*For water supply projects cost effectiveness will be measured in terms of cost per acre-foot of water developed or supplied. For floodplain management projects, cost effectiveness will be based on the damages avoided as a result of the project.

Policy Statement Approved by the CWCB November 24, 1997 Board Meeting Agenda Item #15a

Procedure Statement Approved by the CWCB September 25, 2000 Board Meeting Agenda Item #13c POLICY NUMBER: 13

SUBJECT:

TARGET GROWTH RATES FOR THE EQUITY OF THE CONSTRUCTION FUND AND SEVERANCE TAX TRUST FUND PERPETUAL BASE ACCOUNT

EFFECTIVE DATE: October 1, 2000

REVISED DATES: January 27, 2004

September 14, 2004

POLICY:

The Colorado Water Conservation Board (CWCB) will attempt to maintain an overall growth rate for the equity of the Construction Fund and Severance Tax Trust Fund Perpetual Base Account (STTFPBA) of no less than the long-term rate of inflation, as established by appropriate construction cost indices, plus 0.5%.

This will be the "target growth rate" for each fund.

PURPOSE:

To offset the impacts of cost inflation, to maintain the financial integrity of the CWCB Construction Fund and STTFPBA and to provide a process for estimating the financial resources available for non-reimbursable investments from the Construction Fund in

any given year.

APPLICABILITY:

This policy and procedure apply to the CWCB Construction Fund

and STTFPBA.

PROCEDURE:

The overall growth for the fund equity of the Construction Fund and STTFPBA will be presented as part of the Comprehensive Annual Financial Report by CWCB staff at the September Board meeting each year. Staff will present an annual estimate of funds available for non-reimbursable investments relative to the target growth rate. The estimate of funds available for non-reimbursable investments will be the current fund equity (as of the end of the most recent fiscal year), less the previous year's fund equity increased by the target growth rate. At the same Board meeting each year, staff will present a summary of long-term construction cost indices with any recommendations for revisions to the target growth rate in fund equity.

Approved by the CWCB September 14, 2004 Finance Sub-Committee Meeting POLICY NUMBER: 14

SUBJECT:

APPROVAL AND PRIORITIZATION OF CONSTRUCTION APPLICATIONS FOR NON-REIMBURSABLE PROJECT INVESTMENTS

EFFECTIVE DATE: January 24, 2001

POLICY:

The Colorado Water Conservation Board (CWCB) will accept applications for non-reimbursable project investments from the Construction Fund until August 31 of each year.

Applications for non-reimbursable project investments from the Construction Fund will be accepted for the following types of projects only:

studies of statewide impact 1. Projects or importance.

Feasibility studies and demonstration projects that 2. are designed to answer questions related to statewide water issues or have significant potential to result in loans from either the Construction Fund or the Severance Tax Trust Fund Perpetual Base Account.

The CWCB may, in any year, recommend approval to the General Assembly of any project in the above categories that the Board deems worthy of funding through non-reimbursable investments. In order to protect the long-term integrity of the Construction Fund, Construction Fund loan applications are preferred over nonreimbursable investment applications.

Approximately 10% of the annual funds available for nonreimbursable investments will be set aside for feasibility studies and demonstration projects. Feasibility study and demonstration project investments will be limited to 50% of the total study or project cost, up to a maximum of \$100,000. The project applicant must have completed a fully executed non-reimbursable investment funding contract with the CWCB within 2 years of the investment authorization by the General Assembly, or the Board will consider de-authorization of the investment.

PURPOSE:

To establish an approval and prioritization process for nonreimbursable investments from the Construction Fund.

APPLICABILITY:

This policy and procedure apply to applications for nonreimbursable investments from the Construction Fund.

PROCEDURE:

Prior to the November Board meeting, the CWCB staff will prepare for the Board's consideration a summary of the technical and financial characteristics of each proposed project, program or study as well as a description of the sponsoring entity for each non-reimbursable investment application from the CWCB Construction Fund. Each application will be reviewed for conformity with the goals and objectives of the CWCB Long Range Plan. Non-reimbursable investment applications will be considered only in the following two categories:

- a. Projects of statewide impact or importance,
- b. Feasibility studies and demonstration projects that are designed to answer questions related to statewide water issues or have significant potential to result in loans from the Construction Fund or Severance Tax Trust Fund Perpetual Base Account.

<u>Projects of statewide impact or importance</u> will be prioritized and recommended to the Board for consideration by a committee composed of the Department of Natural Resources Executive Director, the CWCB Director, the State Engineer, or their representatives, and interested Board members based on the following project types:

- Projects, programs or studies that assist in the administration of compact-entitled waters, or address problems relating to compact-entitled waters,
- Projects, programs or studies that facilitate solutions to regional water supply problems,
- Projects, programs or studies that address federal water rights issues,
- Projects, programs or studies that assist in the recovery of threatened or endangered wildlife species or the conservation of existing wildlife species within riparian ecosystems,
- State satellite monitoring system improvements and other projects, programs, studies, instrumentation or supplies that assist in the collection and development of hydrologic and climatologic data, and
- Water, river restoration, and floodplain management projects, activities and studies affecting agriculture, recreation, or other industries that economically impact significant areas of the state.

Page 3 – Policy # 14 Non-Reimbursable Prioritization

Each year the committee will establish project priorities depending on the specific needs of the State and the availability of other project funding sources.

The applications will be further prioritized based on the type of applicant in the following order:

- 1. CWCB or other state agency
- 2. Multiple entities
- 3. A single entity representing more than one individual
- 4. An individual

Applications for feasibility studies and demonstration projects will be considered by the Board based on available funds in each year. CWCB staff will evaluate each application based on the following:

- Soundness of the work plan or plan of study,
- The need for the proposed project,
- The likelihood of the project sponsor to pursue implementation of the identified project through a Construction Fund or Severance Tax Trust Fund Perpetual Base Account loan, and
- The need for financial assistance as demonstrated by the project sponsor's inability to obtain funds elsewhere.

Applications will be prioritized and recommended to the Board by the CWCB staff, following statutory guidelines, based on the types of projects, programs or studies in the following order:

- 1. Development of compact-entitled waters
- 2. Dam rehabilitation
- 3. Infrastructure construction or rehabilitation
- 4. Other water management activities and studies
- 5. Floodplain management projects

The applications will then be further prioritized based on the type of project applicants in the following order:

- 1. Agricultural or municipal low income
- 2. Municipal middle income
- 3. Municipal high income
- 4. Commercial/industrial water users

Page 4 – Policy # 14 Non-Reimbursable Prioritization

NOTE:

Recognizing that future needs and responses to those needs cannot be predicted with certainty, the Colorado Water Conservation Board reserves the right to recommend for funding any project, program or study that it determines worthy of non-reimbursable investment funding.

Approved by the CWCB January 24, 2001 Board Meeting Agenda Item #12a.

COLORADO WATER CONSERVATION BOARD CONSTRUCTION FUND Denver, Colorado

FINANCIAL STATEMENTS June 30, 2006, 2005 and 2004

COLORADO WATER CONSERVATION BOARD CONSTRUCTION FUND STATEMENTS OF NET ASSETS

June 30, 2006, 2005 and 2004

(See Accountant's Compilation Report)

	2006	2005	2004
CURRENT ASSETS .			
Cash and cash equivalents	\$ 100,354,402	\$ 78,276,141	\$ 74,676,377
Receivables		•	
Interest receivable/loans	4,103,422	4,492,808	4,527,931
Loans receivable - Current	6,316,836	6,351,208	5,707,821
Due from Severance Tax Trust Fund	294,904	262,347	262,347
	10,715,162	11,106,363	10,498,099
Total current assets	111,069,564	89,382,504	85,174,476
NONCURRENT ASSETS			
Loans receivable - Long-term	167,206,387	173,894,139	167 071 265
Total noncurrent assets	167,206,387	173,894,139	167,971,365 167,971,365
Total assets	\$ 278,275,951	\$ 263,276,643	\$ 253,145,841
CURRENT LIABILITIES			
Accounts payable	\$ 3,981,902	\$ 2,023,191	\$ 1.424.686
Total current liabilities	3,981,902	2,023,191	\$\ \ \begin{aligned} \1,424,686 \\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \
NET ASSETS		1	
Restricted	•		
· Restricted for loans	167,206,387	172 904 120	167.071.265
Restricted for authorized projects under contract	12,625,253	173,894,139 19,036,951	167,971,365
Restricted for authorized projects not under contract	29,769,320	27,963,821	26,536,203
Unrestricted	64,693,089	40,358,541	53,133,788
Total net assets	274,294,049	261,253,452	4,079,799
	2, 1,07, 1,077	201,233,432	251,721,155
Total liabilities and net assets	\$ 278,275,951	\$ 263,276,643	\$ 253,145,841

EDERAL MINERAL LEASE DISTRIBUTION

FEDERAL MINERAL LEASING ACT

- Net of administrative charges, returns
 50% of rentals and royalties from federal lands in the state of origin.
- Directs that such funds be used by the states for planning, construction and maintenance of public facilities and services in areas of the state socially and economically impacted by mineral development.

To the county area of

origin up to \$200,000

COLORADO MINERAL LEASING FUND

-Colorado statute (CRS 34-63-102) directs that in the distribution of these funds priority shall be given to school districts and political subdivisions socially or economically impacted by the development or processing of the federal minerals.

- Distributes the amounts originating in each county as reported by the Federal government under the



To the State School Fund

COUNTY

Gets the residual

IRST CUT: ______

To the Department

of Local Affairs

following "cascade" type of formula:

To the Water
Conservation Board

SPILLOVER

All funds from counties whose 50% share went over \$200,000

10.7 M FILL-IN

State School Fund gets all the spillover up to \$ 10.7 million

BALANCE

Funds in the spillover in excess of \$10.7 million

SECOND CUT

All county areas who contribute to the SPILLOVER get what remains of their 50% in the BALANCE up to a total limit of \$1.2 million per county area. To avoid PILT deductions the county can elect to have all these receipts given to school districts and towns in a 50/50 split or share the funds as follows

OVERFLOW

All funds from counties whose 50% share went over \$ 1,200,000

SCHOOL DISTRICTS

get at least 25% of each county's total distribution

THE OVERFLOW SPLIT of the 50% of the

50% of the overflow goes to the State School Fund 50% of the overflow goes to the Department of Local Affairs

TOWNS

Get at least 37.5% of each county area total distribution above \$ 250,000

DIRECT DISTRIBUTION

In those counties who contributed to the overflow 25% of the DLA 50% is distributed to cities and the county on the basis of employed residence reports.

TOTAL AMOUNTS RECEIVED BY EACH GROUP: (Calendar Year Distribution)

	1992	1993	1994	1995	1996	1997	195
Total Colorado Receipts	42,015,219	34,513,392	37,084,266	31,778,501	32,394,356	43,982,442	41,172,2
Counties	3,437,475	3,071,195	2,967,868	3,204,223	2,892,759	4,113,447	2,792,8
School Districts	1,496,572	1,280,808	1,322,567	1,299,886	1,162,168	2,237,961	2,022,3
Towns	1,052,240	771,228	999,832	898,542	790,124	1,880,437	1,868,0
CWCB	4,201,522	3,451,339	3,708,427	3,177,850	3,239,436	4,398,244	4,117,1
State School Fund	23,064,466	19,745,081	20,947,000	18,237,925	18,824,652	23,225,186	21,891,4
DOLA Grants	8,147,779	5,939,558	6,744,590	4,911,750	5,328,701	7,744,548	8,255,7
DOLA Direct Distributions	615,165	254,183	393,983	48,325	156,516	382,394	224,€

COLORADO WATER CONSERVATION BOARD CONSTRUCTION FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS Years Ended June 30, 2006, 2005 and 2004

(See Accountant's Compilation Report)

	2006	2005	2004
OPERATING REVENUE			
Interest revenue			
Net investment income	\$ 3,619,502	\$ 2,135,909	\$ 2,339,981
Interest earnings - Loans	6,429,044	7,138,166	7,276,266
Total interest revenue	10,048,546	9,274,075	9,616,247
Other revenue			
Mineral lease income	14,340,078	10,104,457	7,943,045
Service charge on loans	49,722	147,452	· · ·
Other	1,901	15,878	-
Total other revenue	14,391,701	10,267,787	7,943,045
Total operating revenue	24,440,247	19,541,862	17,559,292
OPERATING EXPENSE			
Interdepartmental operations			
CWCB - Operations	3,535,762	3,454,988	3,502,309
Division of Water Resources	447,841	554,624	589,661
Satellite monitoring	296,711	402,607	339,346
Division of Wildlife	219,399	208,466	150,408
Executive Director's office	368,979	333,880	495,650
Attorney General's office	424,015	330,756	322,252
Other	50,633	23	-
Nonreimbursable investments - Grants to		•	
entities	2,217,076	1,676,584	2,442,932
Nonreimbursable investments - Personal			
services	3,839,234	3,047,637	2,834,549
Total operating expense	11,399,650	10,009,565	10,677,107
OPERATING INCOME/CHANGE IN		•	
NET ASSETS	13,040,597	9,532,297	6,882,185
NET ASSETS - BEGINNING OF YEAR	261,253,452	251,721,155	244,838,970
NET ASSETS - END OF YEAR	\$ 274,294,049	\$ 261,253,452	\$ 251,721,155

COLORADO WATER CONSERVATION BOARD SEVERANCE TAX TRUST FUND Denver, Colorado

FINANCIAL STATEMENTS June 30, 2006, 2005 and 2004

COLORADO WATER CONSERVATION BOARD SEVERANCE TAX TRUST FUND - PERPETUAL BASE ACCOUNT STATEMENTS OF NET ASSETS

June 30, 2006, 2005 and 2004

(See Accountant's Compilation Report)

	2006	2005	2004
CURRENT ASSETS			
Cash and cash equivalents	\$ 133,716,043	\$ 102,645,847	\$ 83,063,461
Interest receivable on loans - Current	1,581,599	1,137,415	1,009,609
Loans receivable completed - Current	663,104	614,584	584,297
Total current assets	135,960,746	104,397,846	84,657,367
NONCURRENT ASSETS			
Loans receivable completed - Long-term	64,553,696	37,482,384	32,473,535
Total noncurrent assets	64,553,696	37,482,384	32,473,535
Total assets	\$ 200,514,442	\$ 141,880,230	\$ 117,130,902
LIABILITIES			
Due to Construction Fund	\$ 294,904	\$ 262,347	\$ 262,347
Total liaiblities	294,904	262,347	262,347
NET ASSETS			
Restricted			
Restricted for loans	64,553,696	37,482,384	32,473,535
Restricted for authorized projects			
under contract	50,019,038	40,246,674	17,961,977
Restricted for authorized projects			
not under contract	5,769,139	27,269,236	32,009,915
Unrestricted	79,877,665	36,619,589	34,423,128
Total net assets	200,219,538	141,617,883	116,868,555
Total liabilities and net assets	\$ 200,514,442	\$ 141,880,230	\$ 117,130,902

COLORADO WATER CONSERVATION BOARD SEVERANCE TAX TRUST FUND - PERPETUAL BASE ACCOUNT STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS Years Ended June 30, 2006, 2005 and 2004

(See Accountant's Compilation Report)

	2006	2005	2004
OPERATING REVENUE			
Interest revenue			
Net investment income	\$ 4,402,212	\$ 2,932,610	\$ 1,627,483
Interest earnings - Loans	2,255,393	1,607,582	1,486,799
Total interest revenue	6,657,605	4,540,192	3,114,282
Other revenue			
Severance tax	52,943,210	36,611,258	28,970,874
Total operating revenue	59,600,815	41,151,450	32,085,156
OPERATING EXPENSES		•	
Nonreimbursable investments	999,160	902,122	91,824
Litigation settlement	-	15,500,000	-
	999,160	16,402,122	91,824
OPERATING INCOME/CHANGE IN			
NET ASSETS	58,601,655	24,749,328	31,993,332
NET ASSETS - BEGINNING OF YEAR	141,617,883	116,868,555	84,875,223
NET ASSETS - END OF YEAR	\$ 200,219,538	\$ 141,617,883	\$ 116,868,555

Colorado Water Conservation Board November 13-15, 2006 Meeting Construction Fund Financial Projections

Projected Cash for New Projects	FY 2006-07
Unreserved Cash at Beginning of Year Construction Fund Revenue Projected From Cash Sources Recommended Project De-Authorizations in 2007	\$ 64,693,089 Unreserved Balance on 7-1-2006 \$ 30,000,000 Loan Principal/Interest + Mineral Lease + Treasury Interest \$ 485,675
Total Projected Cash from Construction Fund	\$ 95,178,764
Total Unreserved Cash Available for New Projects and Other Expenses	\$ 95,178,764
Projected Expenses	
Projected Administrative and Special Purpose Expenses (Long Bill)	\$ 5,000,000 Long Bill - HB 06-1386
Previously Approved Project Loans in FY07	
Projected Additional Project Loans through FY07	· •
Recommended Modifications to Previous Project Authorizations FY07	\$ 202,000
Recommended New Construction Project Loans November 2006	\$ 152,258
Recommended New Construction Project Loans January 2007	\$ 75,000,000
Recommended Non-Reimbursable Expenses November 2006 - Estimate	\$ 6,000,000,000
Total Projected Expenses to Construction Fund	\$ 86,354,258
Projected Construction Fund Balance	\$ 8,824,506 Projected Unreserved Balance on 7-1-2007

		D41	Revenues	Expenses		
Construction Fund FY07 Projected Revenue		e	000			
Net Investment Income (State Treasurer)		٠	4,7 00,000			
Interest Earnings - Loans		69	7,000,000			
Mineral Lease Income		↔	12,000,000			
	Total	()	21,700,000			
Construction Fund FY06 Projected Operating Expenses						
Interdepartmental operations	•		€>	6,000,000		
Construction Fund Target Growth @ 3% - \$278,000,000 x .03			€7	8,340,000		
Nonreimbursable Investments			⇔	7,360,000		
	Total		49	21,700,000		
2007 Funds Available for Non-reimbursable Investments	11				\$ \$ 7,360,000 =================================	

Investment Applications
15 Requested Non-reimbursable Project Investments Approved by CWCB Finance Committee

2	3 Requested Notificial sable in older investments Approved by Otto	Apployed by Othor I manice Committee		
<u>N</u>	CWCB - ISF	Satellite Monitoring System Maintenance - Fund	Statewide	0
Nov	DWR	Satellite Monitoring System Maintenance - Fund	Statewide	303,000
Š	CWCB - Compact	Arkansas River Basin - Ground Water Bibliography	Statewide	40,000
Nov	CWCB - Compact	Arkansas River Basin - DSS Feasibility Study	Statewide	200,000
Nov	CWCB - Compact	CDSS - Modeling Support	Statewide	200,000
No.	CWCB - Compact	USGS Snowmelt Timing Study	Statewide	40,000
No No	CWCB - Flood	Colorado Floodplain Map Modernization	Statewide	500,000
Sol	CWCB - Flood	Flood Response Program Revised - Refresh	Statewide	150,000
Nov	CWCB - Flood	Flood Decision Support System (DSS)	Statewide	250,000
Nov	CWCB - Flood	Chatfield Reservoir Reallocation Project	Statewide	600,000
Νος	CWCB - Flood	Weather Modification Permitting Program	Statewide	150,000
Nov	CWCB - Water Conservation	Drought Mitigation Planning Technical Assistance Prog	Statewide	150,000
No	CWCB - Intrastate Planning	SWSI GAP Project Analysis	Statewide	500,000
λοN	Colorado Water Trust	CCC Ditch Diversion Rehabilitation - San Miguel River	San Miguel	65,000
Nov Nov	Colorado Water Education Foundation	CWEF - Annual Appropriation	Statewide	150,000

ò	CWCB - Compact	Recreational and Environmental Insteam Flows Study	Statewide	150,000
Nov	CWCB - Water Conservation	Water Conservation Public Awareness Research Stdy	Statewide	150,000
Nov	CWCB - Intrastate Planning	S. Pltt/Ark R. Basin Alt. Ag Water Trnsfrs/Sustnabity Proj	Platte/Ark	1,500,000
Nov	Colorado Mountain College	Rocky Mountain Fen Research Project	Statewide	100,000
νοN	Ute Mtn Ute Tribe / Dolores WCD	Totten Reservoir Water Supply Feasibility Study	Dolores	70,000
Nov	Ute Mtn Ute Tribe	Mancos Drainage Water Storage Feasibility Study	Mancos	65,000
Nov	Central Colorado Water Conservancy District	South Platte Alluvium Irrigation Recharge Study	S. Platte	150,000
				2,185,000

3,298,000

Total

2007 Total Non-reimbursable Investment Applications

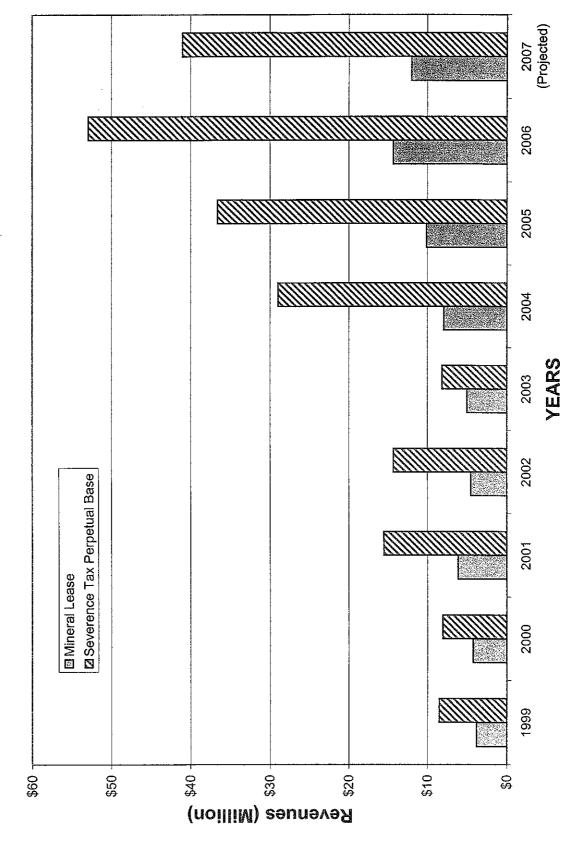
5,483,000

Nov06 Item#11a-o NonReimbursablesEnBloc

Colorado Water Conservation Board November 13-15, 2006 Meeting Severance Tax Trust Fund - Perpetual Base Account Financial Projections

Projected Cash for New Projects	FY 2006-07
Unreserved Cash at Beginning of Year STTF Perpetual Base Account Severance Tax Revenue (FY 05-06 Revenue) STTF Perpetual Base Account Cash Sources (FY 06-07 Revenue) Project De-Authorizations	\$ 79,877,665 Unreserved Balance on 7-1-2006 \$ 41,000,000 25% Share of Severance Tax Revenue \$ 7,000,000 Principal + Interest on Loans + Interest on Fund Balance \$ 115,898
Total Projected Cash from STTF Perpetual Base Account	\$ 127,993,563
Total Unreserved Cash Available for New Projects and Other Expenses	\$ 127,993,563
Projected Expenses	
Previously Approved Project Loans in FY07	\$ 1,800,000
Projected Additional Project Loans through FY07	\$ 10,000,000
Recommended Modifications to Previous Project Authorizations FY07	\$ 235,000
Recommended New Construction Project Loans November 2006	\$ 72,832,060
Recommended New Construction Project Loans January 2007	\$ 28,000,000
Total Projected Expenses to Severance Tax Trust Fund Perpetual Base Account	\$ 112,867,060
Projected STTF Perpetual Base Account Balance	\$ 15,126,503 Projected Unreserved Balance on 7-1-2007

CWCB Severence Tax and Federal Mineral Lease Revenues



COLORADO WATER CONSERVATION BOARD

Department of Natural Resources

Bill Ritter, Jr., Governor Harris D. Sherman, DNR Executive Director Rod Kuharich, CWCB Director

AGRICULTURAL EMERGENCY DROUGHT RESPONSE GRANT PROGRAM

Background

The Agricultural Emergency Drought Response Program (the Program) was created through S.B. 02S-001 of the Colorado General Assembly. The purpose of the Program is to provide funding assistance to agricultural organizations, in the form of loans or grants, for emergency drought related water augmentation purposes.

A Management Committee composed of the Director of the Colorado Water Conservation Board, the State Engineer, the Executive Director of the Department of Natural Resources, and the Commissioner of Agriculture administers the Program. It is expected that \$1,000,000 in loan and grant funds will be available for any fiscal year in which a drought is declared in the State of Colorado.

The Program provides grants for the lease of augmentation water during drought years and loans for the purchase of water rights for augmentation purposes. The Program also provides loans for the construction of structures necessary for the delivery of augmentation water back to the river.

The Program provides grant funds for engineering, attorney fees and other water acquisition administrative costs equal to 5% of the grant amount. The Program does not provide grants for general operational expenses, maintenance of facilities, research, or individuals.



Grant Program Highlights

- ◆ Has provided 35 grants totaling over \$3.1 million for the droughts of 2002, 2003, 2004, 2005 and 2006;
- Provides up to \$1 million annually for drought related water augmentation purposes to Colorado's agricultural water users.

For more information, contact Mike Serlet at CWCB at (303) 866-3426 CWCB 1313 Sherman Street, Room 721, Denver, CO, 80203 Phone: (303) 866-3441 Internet: www.cwcb.state.co.us

STATE OF COLORADO

Colorado Water Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 721 Denver, Colorado 80203 Phone: (303) 866-3441 FAX: (303) 866-4474 www.cwcb.state.co.us



MEMORANDUM

Bill Ritter, Jr. Governor

Harris D. Sherman Executive Director

Rod Kuharich CWCB Director

Dan McAuliffe Deputy Director

TO:

Colorado Water Conservation Board

FROM:

Kirk Russell, P.E., Loan Marketing ¥

Mike Serlet, P.E., Chief

Water Supply Planning and Finance Section

DATE:

May 7, 2007

SUBJECT:

Director's Report Attachment - May 22-23, 2007

Water Supply Planning and Finance Section

Loan Forecast & Prospect Report

The Water Supply Planning and Finance Section compiles a list of potential borrowers/projects for the Water Project Loan Program. The list of Loan Prospects indicates a need for approximately \$250 million in the next few years. The Program currently has approximately \$80 million available annually for eligible projects.

Below is a list of loans which may be presented in the near future (Loan Forecast). Page two is a listing of loans (Loan Prospects), which have a strong chance of becoming CWCB loans.

LOAN FORECAST

STAFF	BORROWER	PROJECT NAME	PROJECT COST	LOAN AMOUNT
	July – Craig			
В	Lower Latham Reservoir Company	Reservoir and Water Rights Purchase	\$1,500,000	\$1,350,000
В	Town of Hillrose	Water Rights Purchase	\$50,000	\$45,000
K	Montezuma Valley Irrigation Company	May Lateral Ditch Piping	\$2,500,000	\$2,000,000
В	Strohauer Farms	Ag. Water Purchase & Recharge	\$2,500,000	\$2,300,000
				\$5,695,000

Information shown is based on current staff knowledge and will likely change as Loan Prospects develop

WATER PROJECT LOAN PROGRAM

LOAN PROSPECTS

KGR 5/14/07

LUA	ANTROSPECIS			5/14/07
Basin STAFF	BORROWER	PROJECT NAME	PROJECT COST	LOAN AMOUNT
South Plat	tte			-
K	Multiple Agencies (Ft Collins area)	Boxelder Regional Stormwater Impymnts	\$36,000,000	\$12,000,000
K	Multiple Agencies	Chatfield Reservoir Reallocation	\$80,000,000	\$?
K	Multiple Agencies	Northern Integrated Supply Project	\$350,000,000	\$100,000,000
K	Multiple Agencies	Windy Gap Firming Project	\$220,000,000	\$40,000,000
	Teague Diversified Inc	Water Rights Purchase	\$2,000,000	\$2,000,000
B		Water Rights Purchase	\$120,000,000	?
K	City of Brighton	Pipeline & Diversion Structure	\$1,000,000	\$1,000,00
K	B.H. Eaton Ditch Co (Windsor)	· · · · · · · · · · · · · · · · · · ·	\$25,000,000	\$25,000,00
K	Ft Morgan, City of	NISP		
K	Wiggins, Town of	Wells & Pipeline	\$3,000,000	\$3,000,00
K	Lochbuie, Town of	New Well	?	?
K.	Farmers Independent Ditch Co	Recharge Pond	?	?
В	New Consolidated Lower Boulder	Dual Water System	\$16,000,000	\$14,500,00
K	Ft Morgan Reservoir & Irrigation Co	Two Way Recharge Pipeline & Well	\$550,000	\$550,00
K	Louden Irrigation & Re	Ditch Improvements	\$500,000	\$500,00
K	Shamrock Irrigation Co	Pipeline Project	\$200,000	\$200,00
K	Henrylyn Irrigation District	Horse Crk & Prospect Res. Rehabilitation	\$2,000,000	\$2,000,00
K	Platte Valley Irrigation District	Anderson Reservoir Construction	\$?	\$?
K	Foothills Park & Recreation Dist.	Multiple Storage Projects	\$2,000,000	\$2,000,00
K	Town of Platteville	Water Supply Project	\$250,000	\$150,00
K	Loveland Lake and Ditch Co	Outlet Structure Improvement	\$?	\$100,00
Arkansas			TOTAL	\$203,000,00
В	City of La Junta	Water Rights Purchase	\$2,500,000	\$2,500,00
K	Fruitland Water Company	Pumphouse & Ditch	\$200,000	\$200,00
В	Richfield Canal Company		\$259,000	\$129,50
K	Cherokee Metro District	Wells and Pipelines	\$800,000	\$800,00
K	Park Center Water District	Reservoir/Water Rights Project	\$1,500,000	\$1,500,00
K	Cucharas Reservoir Rehab	Huerfano-Cucharas Res. Co	\$28,000,000	\$28,000,00
San Migu	iel/Juan		TOTAL	\$33,129,50
K	Town of Silverton	Molas Lake Dam	\$100,000	\$100,00
K	Pioneer Ditch Company	Pioneer Ditch Rehabilitation	\$70,000	'\$60,00
K	Pagosa Area W&S Dist.	Dry Gulch Reservoir	\$60,000,000	\$10,000,00
K	Farmers Water Development Co	Gurley Reservoir Enlargement	\$5,000,000	\$5,000,00
Colorado			TOTAL	\$15,160,00
K	Lateral MC070 Inc.	NRCS Ditch Rehabilitation	\$200,000	\$140,00
K	Albertsons Cattle Co	Mackinaw Lake Enlargement	\$200,000	\$180,00
K	Highland Ditch Co	Ditch Rehabilitation Project	\$200,000	\$200,00
К	Ian Carney - Felix Tornare	Polaris Reservoir Rehabilitation	\$500,000	\$500,00
K	Snowmass Village W&S District	Ziegler Reservoir	\$?	\$5,000,00
Gunnisor	<u></u>		TOTAL	\$6,020,00
K	Grand Mesa Water Users	Cactus Park Reservoir	\$60,000,000	\$?
K	Orchard City	New Reservoir	\$8,000,000	\$5,000,0
K	Fire Mountain Canal & Reservoir Co.	New Reservoir	?	?
K	Upper Gunnison River Conservancy Dist	Reservoir Project	\$1,000,000	\$?
			TOTAL	\$5,000,00

STATE OF COLORADO

Colorado Water Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 721 Denver, Colorado 80203 Phone: (303) 866-3441 FAX: (303) 866-4474 www.cwcb.state.co.us



Bill Owens Governor

Russell George Executive Director

Rod Kuharich CWCB Director

Dan McAuliffe Deputy Director

MEMORANDUM

TO:

Colorado Water Conservation Board Members

FROM:

Kirk Russell, P.E.

Mike Serlet, P.E., Chief

Water Supply Planning and Finance Section

DATE:

November 6, 2006

SUBJECT:

Directors Report, November 13-15, 2006 Board Meeting

Water Project Loan Program Potential Large Project Loans

The following list is compiled to show the size and dollar amount of future projects that CWCB has the potential of financing. These projects will likely require Legislative approval since they exceed \$5.0 million. The listed large projects show a significant need between 2007 and 2009.

PROJECT: BOXELDER CREEK REGIONAL STORM WATER PROJECT

BORROWER: Multiple Agencies – Ft Collins, Larimer County, Wellington, and Timnath ESTIMATED PROJECT COST: Phase I - \$14 million LOAN AMOUNT: \$14 million

FUNDING NEEDED: 2008

DESCRIPTION: The Boxelder Creek Regional Drainage Master Plan was commissioned by the Regional Alliance in order to develop a regional strategy for mitigation the impacts associated with flooding within the Lower Boxelder Creek basin that impacts communities in the southeast portion of Larimer County. Several alternatives were developed to minimize flooding. Entities would create a Storm Drainage Authority operating as an enterprise as the primary vehicle funding and contracting. Authority would be formed under and intergovernmental agreement agencies with land in the basin.

Water Project Loan Program Potential Large Project Loans Page 2 of 5

PROJECT: RIO GRANDE RESERVOIR REHAB. & ENLARGEMENT

BORROWER: San Luis Valley Irrigation District

ESTIMATED PROJECT COST: \$? million LOAN AMOUNT: \$? million

FUNDING NEEDED: 200?

DESCRIPTION: The Rio Grande Reservoir is located 30 miles southwest of Creede, Colorado on the headwaters of the mainstem of the Rio Grande River. The Reservoir is being considered for enlargement by a study funded by CWCB in 2006. The latest study is looking at the potential yield that can be developed through re-operation and re-regulation of existing water supplies. The study is expected to be complete in 2007. Financing assistance may include CWCB Loan Program.

PROJECT: DRY GULCH RESERVOIR - PAGOSA SPRINGS AREA

BORROWER: San Juan Water Conservancy District/Pagosa Springs W & S District ESTIMATED PROJECT COST: \$145 million LOAN AMOUNT: \$145 million

FUNDING NEEDED: \$9 million 2008 and \$130 million 2025

DESCRIPTION: The Dry Gulch Reservoir is an off channel reservoir projected to hold 35,000 acrefeet of water for the growing Pagosa Springs area. The District is currently in negotiations with land owner for reservoir site selection. The expected cost of the land is \$9 million. It is anticipated that permitting and final design will take several years. Construction is planned around 2025.

PROJECT: WINDY GAP FIRMING PROJECT

BORROWER: Multiple Agencies - Broomfield, Greeley, Longmont, Lafayette, Louisville, Loveland, Erie, Evans, Fort Lupton and Superior, Central Weld County Water District, Little Thompson Water District, Platte River Power Authority and the Middle Park Water Conservancy District.

ESTIMATED PROJECT COST: \$220 million LOAN AMOUNT: \$40 million

FUNDING NEEDED: Design 2008 and Construction 2009

DESCRIPTION: Windy Gap diverts water from the Colorado River to the Front Range via the federal Colorado-Big Thompson Project on a space-available basis. During wet years when water is available for pumping at Windy Gap, Lake Granby is often full with little or no capacity for Windy Gap water. The Windy Gap Firming Project was proposed to store Windy Gap water and ensure reliable future deliveries. The purpose of the proposed Windy Gap Firming Project WGFP is to deliver a firm annual yield of up to 30,000 acre-feet of water by 2010 from the Windy Gap Project. The WGFP would also provide up to 3,000 acre-feet of storage for the Middle Park Water Conservancy District in Grand and Summit counties.

Water Project Loan Program Potential Large Project Loans Page 3 of 5

PROJECT: OAK CREEK RESERVOIR

BORROWER: Florence Colorado

ESTIMATED PROJECT COST: \$12 million LOAN AMOUNT: \$7 million FUNDING NEEDED: 2009? Water Supply Component May be Removed from Project

DESCRIPTION: City of Florence is proposing the construction of a water supply storage reservoir with flood control benefits. The Corp of Engineers (COE) is preparing a feasibility study. Cost share of the \$1.0 million study is 50% COE and 50% City. CWCB approved a \$200,000 feasibility study grant in November 2004. The COE is providing a 65/35 cost share of the flood control project costs and 0% for the costs associated with the water supply component.

Update:

PROJECT: CHATFIELD RESERVOIR REALLOCATION PROJECT

BORROWER: Multiple Agencies - Aurora, Brighton, Castle Pines Metro District, Castle Pines, North Metro District, Castle Rock Centennial W & S, Center of Colorado WCD, Central Colorado WCD, Colorado State Parks, Denver Botanic Gardens, Hock Hocking LLC, Parker W & S, Perry Park Country Club, Roxborough Park Metro District, South Metro Water Supply Authority, Western Mutual Ditch Co.

ESTIMATED PROJECT COST: \$100 million

LOAN AMOUNT: \$40 million (Guess)

FUNDING NEEDED: 2008

DESCRIPTION: Project provides 20,600 acre-feet of new storage. Corp of Engineers has studied the reduction of the antecedent flood and re-operation of flood the releases to create the storage. The 16 members have contracted with CWCB to fund remainder of EIS.

PROJECT: NORTHERN INTEGRATED SUPPLY PROJECT (NISP)

BORROWER: Multiple Agencies - Fort Collins-Loveland. W.D., Windsor, Little Thompson W.D., Berthoud, Lefthand W.D., Erie, North Weld. Co. W.D., Evans, Central Weld Co. W.D., Fort Lupton, Fort Morgan, Eaton, Severance, Lafayette, Morgan Co. Quality Water

ESTIMATED PROJECT COST: \$350 million

LOAN AMOUNT: \$? million

FUNDING NEEDED: 2008

DESCRIPTION: Fifteen water providers are working with Northern Colorado Water Conservancy District to increase the quantity and reliability of their water supplies. The NISP goal is to provide up to 40,000 acre-feet of new reliable municipal water supply annually. UPDATE — Draft EIS complete late fall 2006 with permit in late spring 2007. Target date for award of the Glade facility in September 2009 (\$290 million)

Water Project Loan Program Potential Large Project Loans Page 4 of 5

PROJECT: GRAND MESA WATER PROJECT

BORROWER: Grand Mesa Water Task Force or Other

ESTIMATED PROJECT COST: \$179 million LOAN AMOUNT: \$? million

FUNDING NEEDED: 2008?

DESCRIPTION: There is an existing need to import and store additional water in the Surface Creek Valley to allow for carry-over storage during dry years and long-term drought protection. Project proposes to build an upper level reservoir, hydroelectric station(s), a mid-level reservoir located (Cactus Park Reservoir), a canal from Cactus Park Reservoir to the Town of Cedaredge, a pump station on the Gunnison River and a Delivery Pipeline from the Gunnison River pump station to Fruitgrowers Reservoir.

PROJECT: CLEAR CREEK COUNTY WATER BANK PROJECT

BORROWER: Clear Creek County or Multiple Agencies

ESTIMATED PROJECT COST: \$12 million LOAN AMOUNT: \$12 million

FUNDING NEEDED: \$2.0 million in 2007

DESCRIPTION: The Clear Creek County Water Bank, in operation since 1990, has identified a need for additional water storage within Clear Creek County. The Water Bank provides assistance to municipalities with direct flow and water storage; and augmentation water for potential growth and current demands. Customers have included the Town of Georgetown, the Town of Silver Plume, the Georgetown Loop Railroad, Berthoud Pass Ski Resort, Echo Mountain Ski and Snowboard Park, the Downieville Burger King, and others. The challenge of providing water to these customers, coupled with the current demand on the Clear Creek Stream System, recent water court decrees, and drought, have accelerated the need for more storage within the County. An immediate need for at least an additional 800 acre-feet of storage has been identified through preliminary analysis at a minimum cost of \$15,000 per ac-ft, or \$12M. Over recent years the County has filed for nine small storage sites and is in the process of filing for additional ones. The County is currently pursuing detailed feasibility studies with construction of one reservoir site anticipated in 2007.

PROJECT: OVID RESERVOIR

BORROWER: Ovid Reservoir Company

ESTIMATED PROJECT COST: \$12 million LOAN AMOUNT: \$12 million

FUNDING NEEDED: Year unknown

DESCRIPTION: Project would provide a 5700 AF reservoir on the lower South Platte River about one mile west of the town of Ovid. Water would be released to replace out-of-priority depletions caused by well pumping, to compensate for state-line flows under 120 cfs, and for other purposes such as fish and wildlife. A Phase 1 economic study was completed by Harvey Economics in April 2005, and identified the need for an additional partner for the project, beyond the agriculture-based shareholders. ORC wants to identify a partner before proceeding with a more detailed Phase 2 economic analysis of the project. ORC was formed in March 2004, would be taking over the reservoir project from GASP.

PROJECT: GURLEY RESERVOIR

BORROWER: Farmers Water Development Company

ESTIMATED PROJECT COST: \$5 million

FUNDING NEEDED: Year unknown

LOAN AMOUNT: \$5 million

DESCRIPTION: Project includes spillway modifications and a new midlevel outlet works to increase the reservoir storage and outlet discharge capacity. Modifications include raising the existing spillway crest and constructing a new roller-compacted concrete (RCC) spillway that would allow raising the normal reservoir water surface and increasing the reservoir capacity by reducing the required freeboard to safely pass the design flood. A two-foot increase in water surface would add approximately 700 acre-feet of additional storage capacity.

PROJECT: PALMER LAKE PROJECT

BORROWER: Douglas & El Paso County

ESTIMATED PROJECT COST: \$15 million

LOAN AMOUNT: \$? million

FUNDING NEEDED: 2007

DESCRIPTION: Satellite well field project which will supply water to southern Douglas County and northern El Paso County communities. Project will include drilling new wells and installing distribution pipelines. Boyle Engineering completed a study in 2002 which was partially funded by CWCB.

PROJECT: CUCHARAS RESERVOIR REHABILITATION

BORROWER: Huerfano-Cucharas Reservoir Company

ESTIMATED PROJECT COST: \$14 million

LOAN AMOUNT: \$14 million

FUNDING NEEDED: 2006-2007

DESCRIPTION: Cucharas Reservoir was restricted several hired to provide a feasibility study. Without action the rese 2007. Possible project options include a new 100 foot dam.

PROJECT: Prairie Waters Pipeline Project

BORROWER: Aurora Water

ESTIMATED PROJECT COST: \$1 Billion

LOAN AMOUNT: \$75 million

FUNDING NEEDED: 2007-2010

DESCRIPTION: The City of Aurora is in the process of enhancing with the construction of the Prairie Waters Project The Project (3.3 billion gallons) of water (20% increase) to the City Autor Water will request \$75 million to construct a pipeline from South Platte River near Brighton to Aurora Reservoir.